S. HRG. 100-589

NOMINATION OF ROLAND R. VAUTOUR

HEARING

BEFORE THE

COMMITTEE ON AGRICULTURE, NUTRITION, AND FORESTRY UNITED STATES SENATE

ONE HUNDREDTH CONGRESS

FIRST SESSION

ON

THE NOMINATION OF ROLAND R. VAUTOUR, OF JEFFERSONVILLE, VT, TO BE UNDER SECRETARY OF AGRICULTURE FOR SMALL COMMUNITY AND RURAL DEVELOPMENT AND A MEMBER OF THE BOARD OF DIRECTORS OF THE COMMODITY CREDIT CORPORATION

NOVEMBER 16, 1987

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CONTENTS

Page

Hearing held on: November 16, 1987 1

NOMINATION OF ROLAND R. VAUTOUR, OF JEFFERSONVILLE, VT, TO BE UNDER SECRETARY OF AGRICULTURE FOR SMALL COMMUNITY AND RURAL DEVELOPMENT AND A MEMBER OF THE BOARD OF DIRECTORS OF THE COMMODITY CREDIT CORPORATION

Leahy, Hon. Patrick J., a U.S. Senator from Vermont, opening statement 1
Prepared statement 3
Harkin, Hon. Tom, a U.S. Senator from Iowa 26
Conrad, Hon. Kent, a U.S. Senator from North Dakota 27
Cochran, Hon. Thad, a U.S. Senator from Mississippi 26
Bond, Hon. Christopher S. "Kit", a U.S. Senator from Missouri 27
Karnes, Hon. David K., a U.S. Senator from Nebraska, prepared statement 5

CHRONOLOGICAL LIST OF WITNESSES

Stafford, Hon. Robert T., a U.S. Senator from Vermont 7
Vautour, Roland R., Jeffersonville, VT, nominated to be Under Secretary of Agriculture for Small Community and Rural Development and a member of the Board of Directors of the Commodity Credit Corporation 8
Prepared statement 9
Farmers Home Administration 10
Rural Electrification Administration 10
Federal Crop Insurance Corporation 11
Thrust of tenure as Under Secretary for Small Community and Rural Development 11
Fiscal year 1987 program levels and status of apportionments:
January 9, 1987 12
April 8, 1987 13
August 12, 1987 14
November 9, 1987 15
Biographical information (public) 16
Financial data and conflict of interest (public) 20
de Lugo, Ron, Congressman of the U.S. Virgin Islands, prepared statement 23
Smith, Hon. Virginia, a Representative in Congress from the Third District, Nebraska, prepared statement 24

ADDITIONAL MATERIAL SUPPLIED FOR THE RECORD

Leahy, Hon. Patrick J., letter of November 16, 1987, to Roland R. Vautour, questions submitted 42
Vautour, Roland R., Under Secretary-designate, Small Community and Rural Development, letter of November 17, 1987, to Hon. Patrick J. Leahy, responses to questions 43
Questions and responses:
Submitted by Hon. Patrick J. Leahy 44
Submitted by Senator Harkin 52
Submitted by Senator Conrad 54
Submitted by Senator Daschle 58

NOMINATION OF ROLAND R. VAUTOUR

MONDAY, NOVEMBER 16, 1987

U.S. SENATE,
COMMITTEE ON AGRICULTURE, NUTRITION, AND FORESTRY,
Washington, DC.

The committee met, pursuant to notice, at 2:03 p.m., in room SR-332, Russell Senate Office Building, Hon. Patrick J. Leahy (chairman of the committee) presiding.

Present or submitting a statement: Senators Leahy, Harkin, Conrad, Cochran, Bond, and Karnes.

Also present: Senator Stafford.

STATEMENT OF HON. PATRICK J. LEAHY, A U.S. SENATOR FROM VERMONT

The CHAIRMAN. The committee will come to order.

This afternoon we will consider the nomination of Roland Vautour of Jeffersonville, Vermont, as the Under Secretary of Agriculture for Small Community and Rural Development.

The Under Secretary for Small Community and Rural Development oversees three agencies: the Farmers Home Administration, the Rural Electrification Administration, and the Federal Crop Insurance Corporation. Programs administered by these agencies are vital to the health of rural and agricultural economies.

Earlier this year, our committee held hearings in rural areas across the country. We traveled to the Midwest, to Nebraska, Iowa, Minnesota and the Dakotas. We traveled south to Georgia and Mississippi. We kept on traveling and somehow we even found ourselves in Vermont. At each stop, we heard from the farmers and small businesspeople who must live every day with the results of the decisions we make here in Washington.

Each of the Senators on our committee was aware of the changes in rural areas in their individual States. But, as we visited States far from our home State, I think each of us was struck with the breadth of the unprecedented decline that rural areas across the country have suffered in this decade. Rural economies dependent on agriculture, mining, forestry, and trade-sensitive manufacturing have all suffered. The effects of this broad economic downturn can be seen in the numbers:

Rural areas have significantly higher rates of unemployment and poverty than do urban areas.

Rural areas, with 25 percent of the population, have two-thirds of the Nation's substandard housing.

Rural citizens are leaving. In one year, 630,000 people migrated from rural areas to the cities. That is more than the population of our own State of Vermont.

As Under Secretary for Small Community and Rural Development, Mr. Vautour, you will have broad responsibility over the administration of a diverse array of programs targeted at rural citizens facing these challenges. These programs would include operating loans for family farmers, low-income housing repair grants, and loans for fire stations and industrial parks in rural communities.

We do have a number of questions:

We want to know if we can meet these challenges if USDA does not fully implement discretionary programs such as the interest buydown programs for farm operating loans?

Can we really work together if USDA fails to allow this committee and the public to comment on proposed Farmers Home Administration regulations?

How are we going to ensure a healthy system of rural electric service if the REA is slow in processing borrowers' loan applications and fails to expedite prepayment, as required by law? There are a number of other questions that I will go into.

I would like to yield to my very good friend and my senior colleague, the senior Senator from the State of Vermont, Senator Stafford, who will introduce Mr. Vautour.

[The prepared statements of Senator Leahy and Senator Karnes follow:]

OPENING STATEMENT
OF THE HONORABLE PATRICK J. LEAHY, CHAIRMAN
SENATE COMMITTEE ON AGRICULTURE, NUTRITION, AND FORESTRY
HEARING ON THE NOMINATION OF ROLAND R. VAUTOUR
FOR USDA UNDER SECRETARY OF AGRICULTURE
FOR SMALL COMMUNITY AND RURAL DEVELOPMENT
NOVEMBER 16, 1987

This afternoon this Committee will consider the nomination of Roland Vautour of Jeffersonville, Vermont as the Under Secretary of Agriculture for Small Community and Rural Development.

The Under Secretary for Small Community and Rural Development oversees three agencies--the Farmer's Home Administration, the Rural Electrification Administration, and the Federal Crop Insurance Corporation. Programs administered by these agencies are vital to the health of rural and agricultural economies.

Earlier this year, our Committee held hearings in rural areas across the country. We traveled to the Midwest, to Nebraska, Iowa, Minnesota and the Dakotas. We traveled south to Georgia and Mississippi. We kept on traveling and somehow we even found ourselves in Vermont. At each stop, we heard from the farmers and small businesspeople who must live every day with the results of decisions we make here in Washington.

Each of the Senators was aware of the changes in rural areas in their individual States. But, as we visited States far from our home State, I think each of us was struck with the breadth of the unprecedented decline that rural areas across the country have suffered in the 1980's. Rural economies dependent on agriculture, mining, forestry and trade-sensitive manufacturing have all suffered. The effects of this broad economic downturn can be seen in the numbers:

*Rural areas have significantly higher rates of unemployment and poverty than do urban areas.

*Rural areas, with 25 percent of the population, have two-thirds of the nation's substandard housing.

*Rural citizens are leaving. In one year, 630,000 people migrated from rural areas to the cities. That's like saying all of Vermont migrated in one year!

As Under Secretary for Small Community and Rural Development, Mr. Vautour, you will have broad responsibility over the administration of a diverse array of programs targeted at rural citizens facing these problems. These programs would include operating loans for family farmers, low-income housing repair grants, and loans for fire stations and industrial parks in rural communities.

We cannot meet the challenge of revitalizing rural America unless we, the Congress and the Department, work together. The Congress has created powerful tools for the Under Secretary to use to meet this challenge. This Committee's chief concern is whether these tools will be used. For example:

*Can we meet this challenge unless USDA fully implements discretionary programs such as the Interest Buy-Down Program for farm operating loans, and the Business and Industry Loan Program?

*Can we work together if USDA fails to allow this Committee and the public to comment on proposed Farmer's Home Administration regulations?

*How can we ensure a healthy system of rural electric service if the REA is slow in processing borrowers' loan applications and fails to expedite prepayment, as required by law.

*Can we rebuild rural economies if the Administration submits budgets, as it did this year, which call for the elimination of funding for Rural Community Facility Loans and Rural Wastewater Programs.

I am sure this hearing will demonstrate that, if you are confirmed, we will work together to administer these programs effectively.

We are interested in the experience you bring to this administrative challenge. We want to hear your views on these problems, and on the programs overseen by the Under Secretary.

It is a pleasure to have here with us today Senator Stafford, my friend and Senior Senator from Vermont, who will introduce Mr. Vautour.

STATEMENT OF BEHALF OF THE CONFIRMATION OF
MR. ROLAND VAUTOUR
TO BE
UNDER SECRETARY OF AGRICULTURE FOR
SMALL COMMUNITY AND RURAL DEVELOPMENT

BY

SENATOR DAVID K. KARNES

BEFORE THE SENATE COMMITTEE ON AGRICULTURE, NUTRITION
AND FORESTRY

NOVEMBER 16, 1987

Mr. Chairman, I today state my support for Mr. Roland Vautour to be the next Under Secretary of Agriculture for Small Community and Rural Development. I think that the nomination by President Reagan of Mr. Vautour to be Under Secretary is an excellent one.

Mr. Vautour has been the State Director for the Farmers Home Administration (FmHA) for the States of Vermont and New Hampshire since 1981, and he has served with distinction in that capacity. As many of us know, during his tenure in that position he also served for a time as the Acting State Director for Farmers Home Administration in my State of Nebraska. Mr. Vautour was instrumental in bringing decisiveness and action to an office that was suffering from a lack of direction. Farmers, lenders and other individuals in Nebraska with whom I have spoken are emphatic in their praise of his efforts and leadership. I want to again recognize and thank Roland for his fine work in the rural communities of Nebraska.

Mr. Vautour, when confirmed by the Senate, will administer an important group of Agencies within the Department of Agriculture that have immense impact on our rural communities. Areas within his responsibilities as Under Secretary for Small Community and Rural Development are the FmHA, the Federal Crop Insurance Corporation, the Rural Electrification Administration, and the Rural Telephone Bank.

Each of these Agencies have been the subject of Congressional attention in the recent past. The FmHA is among the most important of these since it is frequently called upon by Congress to provide the economic underpinnings of rural America. Programs offered by the FmHA enable young people to get a start in farming, promote rural home ownership, and provide farm

operating loans. FmHA is where farmers have turned in the past for assistance when their homes and crops are devastated by natural disasters.

The FmHA is, as a result of Congressional intent, trying to move away from direct, unconditional disaster assistance. As the Department of Agriculture focus turns increasingly to the Federal Crop Insurance Corporation, another important agency that Mr. Vautour will be responsible for providing policy direction as Under Secretary. Farmers across the country, including many of the farmers in my State of Nebraska, have learned that crop insurance has become a necessary requirement for many forms of direct disaster assistance. I believe that Federal crop insurance is important and I trust that Mr. Vautour will give that Agency all of the support it deserves. The other agencies, the Rural Electrification Administration and the Rural Telephone Bank, have performed valuable functions in my home State of Nebraska. As you know, it was one of my predecessors, Senator Norris, who was instrumental in establishing much of the program areas that these Agencies are now responsible for administrating.

I note that the Senate Agriculture Committees has completed work on the Farm Credit Act Amendments of 1987 that will deal with a number of FmHA issues, including debt restructuring. I believe that Mr. Vautour is extremely well qualified to oversee the effective administration of the complex provisions contained in that bill when the measure is enacted into law.

Mr. Chairman, in summary, I believe that we are most fortunate to have a man of the caliber, ability and experience of Roland Vautour to serve in the important position of Under Secretary for Small Community and Rural Development. I urge that the Committee act favorably upon the nomination today and that the appointment of Mr. Vautour be speedily confirmed by the Senate.

Thank you Mr. Chairman.

STATEMENT OF HON. ROBERT T. STAFFORD, A U.S. SENATOR FROM VERMONT

Senator STAFFORD. Thank you very much, Mr. Chairman.

It really is a pleasure to be here to introduce Roland Vautour, who may need an introduction to this committee, but not to Chairman Leahy, who, as you pointed out, is the nominee to be Under Secretary of Agriculture for Small Community and Rural Development.

I think I first became acquainted with Roland back in 1958, when he became the Director of the Vermont Department of Development as its Commissioner. This was at a time when I had the privilege of serving Vermont as its Governor, and so I had a chance first-hand over the time of my Governorship to see Roland Vautour in action at developing the State of Vermont. And I can testify, Mr. Chairman, and Members of the Committee, that I believe Roland can carry out the responsibilities that he will be undertaking if he becomes the Under Secretary of Agriculture for the purposes as stated.

He did a very good job for the Department of Development in Vermont during the years I was its Governor, and he was doing a good enough job earlier in our neighboring State so that we in effect hired him away from our nextdoor neighbor to serve Vermont, which is a pretty good indication that we thought he would be a valuable part of Vermont's scene.

Since then he has served as the vice president and general manager of one of our larger winter sports complexes, and beyond that, as the owner of a real estate service in Vermont, and for the last several years, from 1981 to present, he has been the State Director of the Farmers Home Administration not only for Vermont, but for New Hampshire and for the Virgin Islands as well. There, he oversees some 27 offices, 145 employees, and a portfolio of loans that runs from about $900 million. I suspect that, were I in that responsibility, I would find time in January and February to check on the situation in the Virgin Islands; I do not know whether Roland did or not, but the temptation would be there.

The CHAIRMAN. I have often thought we should have a committee hearing down there in January, maybe for the month.

Senator STAFFORD. Well, that would be appropriate, I should think.

In any event, Mr. Chairman and members of the committee, without qualification I very strongly urge the committee to confirm Mr. Vautour in this responsibility and report favorably on his nomination to the Senate of the United States.

The CHAIRMAN. Thank you very much.

I must say, as I said before, there is no Member of the U.S. Senate whose opinion I respect more or heed more than the distinguished senior Senator from Vermont, Senator Stafford. And when he stopped me by the steps of the Capitol the other day and said let's get these hearings on Roland Vautour going, I went back to my office and said let's get these hearings on Roland Vautour going.

So here we are. Bob, you are welcome to stay as long as you want, but I also know you have got other hearings this afternoon, so it is up to you whatever you want to do.

Senator STAFFORD. Thank you, Mr. Chairman. I will stay for a minute, but I do want you to know, and the people here also, that I heed your advice fully as much as you do mine.

The CHAIRMAN. Thank you.

Mr. Vautour, we are glad to have you here, and you also have your wife and son here. Would you just introduce them to the other members of the committee; we have Senator Cochran and Senator Harkin here, too.

Mr. VAUTOUR. Thank you, Senator—my wife, Sally, and my son, Eric.

The CHAIRMAN. Very good. Mrs. Vautour and Eric, we are delighted to have you here.

The stage is now yours.

STATEMENT OF ROLAND R. VAUTOUR, JEFFERSONVILLE, VT, NOMINATED TO BE UNDER SECRETARY OF AGRICULTURE FOR SMALL COMMUNITY AND RURAL DEVELOPMENT AND A MEMBER OF THE BOARD OF DIRECTORS OF THE COMMODITY CREDIT CORPORATION

Mr. VAUTOUR. Mr. Chairman, I have a very short opening statement, and with your forbearance, I would like to read it.

Mr. Chairman and members of the committee, I certainly appreciate the opportunity to appear before the committee as the nominee for the position of Under Secretary of Agriculture for Small Community and Rural Development.

I have been involved in rural development in one form or another for most of my business life. I come from Vermont, a State that is as rural as any in the country.

I feel honored to be nominated by President Reagan for this very important position at what I consider to be a critical juncture in American agriculture and rural life. The functions of the Farmers Home Administration, the Rural Electrification Administration, and the Federal Crop Insurance Corporation are all very critical to the development of and continuation of economic growth and prosperity in rural America.

I see the various programs of these agencies as a big help to rural America, but the true strength and resiliency of rural America is the quality and dedication of its people and leaders.

I would like to be able to contribute to this process and to provide the leadership at the departmental level so that our programs are administered and delivered in as efficient, compassionate, and productive a manner as possible.

I pledge to carry out fully the provisions of the laws as they affect these three agencies and the delivery of their programs. I appreciate the opportunity to be with you today and will be happy to answer to the best of my ability any questions that members of the committee may have.

[The prepared statement of Mr. Vautour, with attachments, follow:]

OPENING STATEMENT BY
ROLAND R. VAUTOUR
UNDER SECRETARY-DESIGNATE FOR
SMALL COMMUNITY AND RURAL DEVELOPMENT
U.S. DEPARTMENT OF AGRICULTURE

CONFIRMATION HEARING BEFORE THE
SENATE COMMITTEE ON AGRICULTURE, NUTRITION, AND FORESTRY
NOVEMBER 16, 1987

Mr. Chairman and Members of the Committee. I certainly appreciate the opportunity to appear before this committee as the nominee for the position of Under Secretary of Agriculture for Small Community and Rural Development.

(I would like to take this opportunity to introduce my wife of 36 years, Sally, and my son, Eric.)

I have been involved in Rural Development in one form or another for most of my business life. I come from Vermont--a State that is as rural as any in the country.

I feel honored to be nominated for this very important position at what I consider to be a critical juncture in American agriculture and rural life. The functions of the Farmers Home Administration, the Rural Electrification Administration and the Federal Crop Insurance Corporation are all very critical to the development of and continuation of economic growth and prosperity in rural America.

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I pledge to carry out fully the provisions of the laws as they affect the three agencies and the delivery of their programs. I appreciate the opportunity to be with you today and will be happy to answer to the best of my ability any questions that Members of the Committee may have.

Thank you.

ROLAND R. VAUTOUR
UNDER SECRETARY-DESIGNATE FOR
SMALL COMMUNITY AND RURAL DEVELOPMENT
U.S. DEPARTMENT OF AGRICULTURE

CONFIRMATION HEARING BEFORE THE
SENATE COMMITTEE ON AGRICULTURE, NUTRITION, AND FORESTRY
NOVEMBER 16, 1987

FARMERS HOME ADMINISTRATION

The Farmers Home Administration (FmHA) must give its stressed borrowers the benefit of every opportunity afforded by FmHA regulations. FmHA was founded as a lender of last resort, but equally as important, as a lender of supervised credit.

The ultimate aim of FmHA is to work with the borrowers to the point that they can graduate to other (private) credit. We do our borrowers, particularly young farmers, an injustice by saddling them with unworkable debt loads.

How we deal with our present portfolio of more than 53,000 delinquent loans is, in my judgment, one of the most important issues facing the agency today. As Under Secretary, I will direct that highest priority be given to finding timely, realistic and compassionate resolutions to these problems.

RURAL ELECTRIFICATION ADMINISTRATION

The most pressing problem facing the Rural Electrification Administration (REA) is that nine (9) Generation and Transmission borrowers are encountering severe financial problems. This represents approximately 7.2 billion dollars and vitally affects the lives of millions of rural residents. The agency is currently trying to work out the problems of these borrowers in an equitable manner that will be advantageous to all parties.

All available servicing options, including rescheduling and amortization, must be used as we work to resolve these problems. REA's priority concerns must be (1) that service to rural residents is maintained and (2) that the delinquent borrowers achieve financial stability and fully repay their obligations to the Government.

ROLAND R. VAUTOUR
UNDER SECRETARY-DESIGNATE FOR
SMALL COMMUNITY AND RURAL DEVELOPMENT
U.S. DEPARTMENT OF AGRICULTURE

CONFIRMATION HEARING BEFORE THE
SENATE COMMITTEE ON AGRICULTURE, NUTRITION, AND FORESTRY
NOVEMBER 16, 1987

FEDERAL CROP INSURANCE CORPORATION

The Federal Crop Insurance Act of 1980 resulted in an explosive expansion of the Crop Insurance Program. The necessary information, background and data base needed for an actuarially sound fee structure was not available in many of the new areas in which crop insurance was offered.

This expansion combined with adverse weather conditions over the last 5 years have resulted in substantial losses. Until this year, the loss ratio has been in the order of 1.4. It appears that this year will be the first better-than-break-even year since 1980, with a loss ratio of .9.

The most pressing issue confronting Federal Crop Insurance Corporation (FCIC) is producer participation. USDA must increase producer awareness of crop insurance. With the development of adequate data and expanded participation, FCIC can develop a more realistic rate and loss structure, which will encourage producers to use crop insurance as part of their risk management strategy.

The thrust of my tenure as Under Secretary for Small Community and Rural Development will be in three (3) major areas:

1. Increased and continued emphasis on rural development.

2. Encouragement of maximum utilization of agency resources.

3. Continued emphasis on staff communication and training to better deliver and administer agency programs.

As Under Secretary, I will direct the Farmers Home Administration, the Rural Electrification Administration, and the Federal Crop Insurance Corporation to implement these policies within their agencies.

FARMERS HOME ADMINISTRATION
FY 1987 PROGRAM LEVELS AND STATUS OF APPORTIONMENTS
(DOLLARS IN THOUSANDS)

January 9, 1987

	Cont. Res. P.L. 99-500 P.L. 99-509	Adjustments Transfers Pr-Yr Auth	Annual Apportionment	October 1, 1986 - December 31, 1986 Available for period	Obligations	Balance Current	Balance Annual
FARMER PROGRAMS:							
Insured Farm Ownership	$75,000	$0	$75,000	$37,500	$25,225	$12,275	$49,775
Guaranteed Farm Ownership	325,000	0	325,000	162,500	50,006	112,494	274,994
Insured Farm Operating	1,425,000	0	1,425,000	356,250	162,473	193,777	1,262,527
Guaranteed Farm Operating	2,170,000	0	2,170,000	542,500	128,441	414,059	2,041,559
Emergency Disaster	295,000	0	295,000	59,000	14,262	44,738	280,738
Insured Soil & Water	11,000	0	11,000	3,300	540	2,760	10,460
Guaranteed Soil & Water	3,000	0	3,000	1,500	0	1,500	3,000
Indian Land Acquisition	2,000	0	2,000	600	0	600	2,000
Interest Buy-Down Program	185,000A/	105,268B/	290,268	75,000	2,768	72,232	287,500
Total Farmer Programs	4,491,000	105,268	4,596,268	1,238,150	383,715	854,435	4,212,553
RURAL HOUSING PROGRAMS:							
Sec. 502 Low Income Housing Loans	1,339,800	0	1,339,800	334,950	151,983	182,967	1,187,817
Subsidized	1,329,800	0	1,329,800	332,450	150,196	182,254	1,179,604
Rural Housing Loans--Non-Sub	10,000	0	10,000	2,500	1,787	713	8,213
Section 504 Very Low Inc. Housing Repairs	23,835	0	23,335	5,959	3,687	2,272	20,148
Loans--Direct	11,335	0	11,335	2,834	873	1,961	10,462
Grants	12,500	0	12,500	3,125	2,814	311	9,686
Sec. 524 Rural Housing Site Dev. Loans	574	0	574	144	46	98	528
Sec. 523 Mutual & Self Help Housing Gts	8,000	5,404B/	13,404	3,351	502	2,849	12,902
Sec. 515 Rur. Rent & Coop Housg Ln (Sub)	669,900	0	669,900	167,475	7,044	160,431	662,856
Sec. 509 Comp. for Construction Defects	713	0	713	179	47	132	666
Sec. 533 Rural House Preservations Grants	19,140	0	19,140	4,785	0	4,785	19,140
Sec. 523 Self Help Land Develop Loans	500	0	500	125	0	125	500
Sec. 521 Rural Rental Assistance	160,310	0	160,310	40,077	9,320	30,757	150,990
RHIF--Renewals and Servicing	160,310	0	160,310	40,077	9,320	30,757	150,990
Separate Acct--New Construction	0	0	0	0	0	0	0
Rural Housing for Domestic Farm Labor	20,997	304B/	21,301	5,326	74	5,252	21,227
Sec. 514--Loans	11,484	0	11,484	2,871	74	2,797	11,410
Sec. 516--Grants	9,513	304	9,817	2,455	0	2,455	9,817
Total Housing Programs	2,283,769	5,708	2,289,477	562,371	172,703	389,668	2,076,774
COMMUNITY PROGRAMS:							
Water and Waste Disposal	439,775	16,590B/	456,365	114,092	82,123	31,969	374,242
Loans	330,380	0	330,380	82,595	54,442	28,153	275,938
Grants	109,395	16,590	125,985	31,497	27,681	3,816	98,304
Community Facilities Loans	95,700	0	95,700	23,925	3,520	20,405	92,180
Guar. Business & Industrial Loans	95,700	0	95,700	23,925	3,865	20,060	91,835
Guar. Finance Corporation Loans	0	19,140C/	19,140	4,785	0	4,785	19,140
Finance Corporation Grants	0	14,264C/	14,264	3,500	0	3,500	14,264
Rural Development Loans	0	8,139D/	8,139	2,000	0	2,000	8,139
Watershed & Flood Prevention Loans	7,949	0	7,949	4,900	148	4,752	7,801
Resource Cons. & Dev. Loans	1,207	0	1,207	1,207	0	1,207	1,207
Grant Transfers from other Agencies	0	8,990	8,990	8,990	4,031	4,959	4,959
Total Community Programs	640,331	67,123	707,454	187,328	93,687	93,637	613,767
Fire Protection Grants	3,091	(3,091)E/	0	0	0	0	0
Total Program - Loans	6,870,529	27,279	6,897,808	1,814,886	602,942	1,211,944	6,294,866
Total Program - Other - Grants & Assist	507,662	147,729	655,391	172,959	47,163	125,796	608,228
Total FmHA Programs	7,378,191	175,008	7,553,199	1,987,845	650,105	1,337,740	6,903,094

A/ The Food Security Act of 1985 provided $490 million for FY's 1986, 1987 and 1988.
B/ Carryover amounts from prior years and anticipated for remainder of year.
C/ P.L. 99-500 extended authority for the Rural Development Finance Corporation Loans & Grants.
D/ P.L. 99-425 resauthorized making loans from Rural Development Loan Fund.
E/ Transferred $3 million to the Forest Service.

FARMERS HOME ADMINISTRATION
FY 1987 PROGRAM LEVELS AND STATUS OF APPORTIONMENTS
(DOLLARS IN THOUSANDS)

April 8, 1987

	Cont. Res. P.L. 99-500 P.L. 99-591	Adjustments Transfers Pr-Yr Auth	Annual Apportionment	October 1, 1986 - March 31, 1987 Available for period	Obligations	Balance Current	Balance Annual
FARMER PROGRAMS:							
Insured Farm Ownership	675,000	80	675,000	675,000	563,819	511,181	511,181
Guaranteed Farm Ownership	325,000	0	325,000	325,000	162,697	162,303	162,303
Insured Farm Operating	1,425,000	0	1,425,000	1,060,750	856,822	211,928	568,178
Guaranteed Farm Operating	2,170,000	0	2,170,000	1,827,300	513,229	1,115,271	1,657,771
Emergency Disaster	295,000	0	295,000	177,000	58,348	118,652	236,652
Insured Soil & Water	11,000	0	11,000	8,030	2,284	5,746	8,716
Guaranteed Soil & Water	3,000	0	3,000	3,000	0	3,000	3,000
Indian Land Acquisition	2,000	0	2,000	1,440	0	1,440	2,000
Interest Buy-Down Program	185,000 A/	105,268 B/	290,268	145,000	8,320	136,680	281,948
Total Farmer Programs	4,691,000	105,268	4,996,268	3,430,740	1,664,719	1,766,031	2,931,549
RURAL HOUSING PROGRAMS:							
Sec. 502 Low Income Housing Loans	1,339,800	0	1,339,800	669,900	356,891	313,008	982,908
Subsidized	1,329,800	0	1,329,800	664,900	333,067	311,833	976,733
Rural Housing Loans--Non-Sub	10,000	0	10,000	5,000	3,825	1,175	6,175
Section 504 Very Low Inc. Housing Repairs	23,835	0	23,835	12,293	5,685	6,608	18,150
Loans--Direct	11,335	0	11,335	5,668	1,810	3,858	9,525
Grants	12,500	0	12,500	6,625	3,875	2,750	8,625
Sec. 514 Rural Housing Site Dev. Loans	574	0	574	288	46	242	528
Sec. 523 Mutual & Self Help Housing Grs.	8,000	5,403 B/	13,403	-6,703	1,838	4,865	11,567
Sec 515 Rur. Rent & Coop House Ln (Sub)	669,900	0	669,900	334,950	70,098	264,852	599,802
Sec. 509 Comp. for Construction Defects	713	0	713	357	83	274	630
Sec. 533 Rural Housing Preservation Grants	19,140	0	19,140	9,570	0	9,570	19,140
Sec. 523 Self Help Land Develop Loans	500	0	500	250	0	250	500
Sec. 521 Rural Rental Assistance	160,310	0	160,310	80,154	79,826	328	80,484
RELP--Renewals, New Construction & Serv	160,310	0	160,310	80,154	79,826	328	80,484
Separate Acct--New Construction	0	0	0	0	0	0	0
Rural Housing for Domestic Farm Labor	20,997	304	21,301	10,651	1,932	8,719	19,369
Sec. 514--Loans	11,484	0	11,484	5,742	455	5,287	11,029
Sec. 516--Grants	9,513	304 B/	9,817	4,909	1,477	3,432	8,340
Total Housing Programs	2,243,769	5,709	2,249,478	1,125,116	516,400	608,716	1,733,078
COMMUNITY PROGRAMS:							
Water and Waste Disposal	439,775	16,590	456,365	231,687	161,194	70,493	295,171
Loans	330,380	0	330,380	165,190	121,846	43,344	208,534
Grants	109,395	16,590 B/	125,985	66,497	39,348	27,149	86,637
Community Facilities Loans	95,700	0	95,700	47,850	22,067	25,783	73,633
Guar. Business & Industrial Loans	95,700	0	95,700	47,850	18,622	29,228	77,078
Guar. Finance Corporation Loans	0	19,140 C/	19,140	9,570	0	9,570	19,140
Finance Corporation Grants	0	14,264 C/	14,264	7,000	0	7,000	14,264
Rural Development Loans	0	8,139 D/	8,139	4,000	0	4,000	8,139
Watershed & Flood Prevention Loans	0	0	7,949	7,949	148	7,801	7,801
Resource Cons. & Dev. Loans	7,949	0	1,207	1,207	0	1,207	1,207
Grant Transfers from other Agencies	1,207	8,990	8,990	8,990	4,951	4,039	4,039
	0						
Total Community Programs	640,331	67,123	707,454	368,103	206,982	159,121	500,472
Fire Protection Grants	3,091	(3,091)E/	0	0	0	0	0
Total Program - Loans	6,870,329	27,279	6,897,808	4,586,154	2,248,383	2,337,771	4,649,425
Total Program - Other - Grants & Assist	507,662	147,730	655,392	335,805	139,718	196,087	515,674
Total FmHA Programs	7,378,191	175,009	7,553,200	4,921,959	2,388,101	2,533,858	5,165,099

A/ The Food Security Act of 1985 provided $490 million for FY's 1986, 1987 and 1988.
B/ Carryover amounts from prior years and anticipated for remainder of year.
C/ P.L. 99-500 extended authority for the Rural Development Finance Corporation Loans & Grants.
D/ P.L. 99-425 Reauthorized making loans from Rural Development Loan Fund.
E/ Transferred $3 million to the Forest Service.

FARMERS HOME ADMINISTRATION
FY 1987 PROGRAM LEVELS AND STATUS OF APPORTIONMENTS August 12, 1987
(DOLLARS IN THOUSANDS)

	Cont. Res. P.L. 99-500 P.L. 99-591	Adjustments Transfers Pr-Yr Auth.	Annual Apportionment	October 1, 1986 - June 30, 1987 Available for period	Obligations	Balance Current	Balance Annual	Annual % Obligated
FARMER PROGRAMS:								
Direct Farm Ownership	$75,000	$0	$75,000	$75,000	$74,824	$176	$176	99.8%
Guaranteed Farm Ownership	325,000	0	325,000	325,000	323,138	1,862	1,862	99.4%
Direct Farm Operating	1,425,000	0	1,425,000	1,425,000	1,243,342	181,658	181,658	87.3%
Guaranteed Farm Operating	2,170,000	0	2,170,000	2,170,000	1,053,713	1,116,287	1,116,287	48.6%
Direct Emergency Disaster	295,000	0	295,000	295,000	104,334	181,146	190,644	35.4%
Direct Soil & Water	11,000	0	11,000	10,230	3,307	6,923	7,693	30.1%
Guaranteed Soil & Water	3,000	0	3,000	3,000	256	2,744	2,744	8.5%
Direct Indian Land Acquisition	2,000	0	2,000	1,840	0	1,840	2,000	0.0%
Interest Buy-Down Program	185,000 A/	105,368 B/	290,368	315,000	18,379	196,621	271,889	6.3%
Total Farmer Programs	4,491,000	105,368	4,596,368	4,490,590	2,821,313	1,669,277	1,774,955	61.4%
RURAL HOUSING PROGRAMS:								
Sec. 502 Low Income Housing Loans	1,329,800	0	1,329,800	1,004,890	672,283	332,583	667,535	50.2%
Subsidized	1,329,800	0	1,329,800	997,390	665,684	331,866	664,316	50.0%
Rural Housing Loans--Non-Sub	10,000	0	10,000	7,500	6,781	719	3,219	67.8%
Section 504 Very Low Inc. Housing Repairs	23,835	0	23,835	18,626	11,342	7,284	12,293	48.4%
Loans--Direct	11,335	0	11,335	8,501	3,509	4,992	7,826	31.0%
Grants	12,500	0	12,500	10,125	8,033	2,092	4,467	64.3%
Sec. 526 Rural Housing Site Dev. Loans	374	0	374	431	46	385	328	8.0%
Sec. 523 Mutual & Self Help Housing Gts	8,000	5,405 B/	13,405	10,054	2,660	7,394	10,745	19.8%
Sec. 515 Rur. Rent & Coop Hous Ln (Sub)	669,900	0	669,900	503,423	133,823	368,600	536,077	20.0%
Sec. 509 Comp. for Construction Defects	713	0	713	535	137	378	576	21.0%
Sec. 533 Rural Housing Preservation Grants	19,140	0	19,140	14,355	2,741	11,614	16,399	14.3%
Sec. 523 Self Help Land Develop Loans	500	0	500	375	0	375	500	0.0%
Sec. 521 Rural Rental Assistance	160,310	0	160,310	120,232	118,148	2,084	42,162	73.7%
RRIP--Renewals, New Construction & Serv	160,310	0	160,310	120,232	118,148	2,084	42,162	73.7%
Separate Acct--New Construction	0	0	0	0	0	0	0	0.0%
Rural Housing for Domestic Farm Labor	20,997	304	21,301	15,976	2,846	13,130	18,455	13.4%
Sec. 514--Loans-Direct	11,484	0	11,484	8,613	1,269	7,344	10,215	11.9%
Sec. 516--Grants	9,513	304 B/	9,817	7,363	1,577	5,886	8,240	13.0%
Total Housing Programs	2,243,709	5,709	2,249,478	1,687,859	944,228	743,631	1,305,250	42.0%
COMMUNITY PROGRAMS:								
Water and Waste Disposal	439,775	16,590	456,365	354,282	334,696	19,586	121,669	73.3%
Loans-Direct	330,380	0	330,380	247,785	247,688	97	82,692	75.0%
Grants	109,395	16,590 B/	125,985	106,497	87,008	19,489	38,977	69.1%
Community Facilities Loans	95,700	0	95,700	71,775	71,750	25	23,950	75.0%
Guar. Business & Industrial Loans	95,700	0	95,700	71,775	52,543	19,232	43,157	54.9%
Guar. Finance Corporation Loans	0	19,148 C/	19,148	14,355	13,000	1,355	6,148	67.9%
Finance Corporation Grants	0	14,264 C/	14,264	10,500	9,410	1,090	4,854	66.0%
Rural Development Loans	0	8,139 D/	8,139	6,000	0	6,000	8,139	0.0%
Watershed & Flood Prevention Loans	7,949	0	7,949	7,949	148	7,801	7,801	1.9%
Resource Cons. & Dev. Loans	1,207	0	1,207	1,207	0	1,207	1,207	0.0%
Grant Transfers from other Agencies	0	8,990	8,990	8,990	3,460	5,530	5,530	40.7%
Total Community Programs	640,331	67,123	707,454	546,833	487,007	59,826	220,447	68.8%
Fire Protection Grants	3,091	(3,091) E/	0	0	0	0	0	0.0%
Total Program - Loans	6,870,529	27,379	6,897,908	6,221,631	3,999,073	2,222,558	2,898,733	58.0%
Total Program - Other - Grants & Assist	507,662	147,730	655,392	503,651	253,473	250,178	401,919	38.7%
Total FmHA Programs	7,378,191	175,009	7,553,300	6,725,282	4,252,546	2,472,734	3,300,652	56.3%

A/ The Food Security Act of 1985 provided $490 million for FY's 1986, 1987 and 1988.
B/ Carryover amounts from prior years and anticipated for remainder of year.
C/ P.L. 99-500 extended authority for the Rural Development Finance Corporation Loans & Grants.
D/ P.L. 99-425 Reauthorized making loans from Rural Development Loan Fund.
E/ Transferred $3 million to the Forest Service.

FARMERS HOME ADMINISTRATION
FY 1987 PROGRAM LEVELS AND STATUS OF APPORTIONMENTS — November 9, 1987
(DOLLARS IN THOUSANDS)

	Cont. Res. P.L. 99-500 P.L. 99-591	Adjustments Transfers Pr-Yr Auth.	Annual Apportionment	October 1, 1986 Available for period	October 1, 1986 Obligations	September 30, 1987 Balance Current	September 30, 1987 Balance Annual	Annual % Obligated
FARMER PROGRAMS:								
Direct Farm Ownership	$75,000	$0	$75,000	$75,000	$74,999	$1	$1	100.0%
Guaranteed Farm Ownership	325,000	0	325,000	325,000	324,419	581	581	99.8%
Direct Farm Operating	1,425,000	0	1,425,000	1,425,000	1,298,281	126,719	126,719	91.1%
Guaranteed Farm Operating	2,170,000	0	2,170,000	2,170,000	1,240,738	929,262	929,262	57.2%
Direct Emergency Disaster	295,000	0	295,000	295,000	113,613	181,387	181,387	38.5%
Direct Soil & Water	11,000	0	11,000	11,000	4,201	6,799	6,799	38.2%
Guaranteed Soil & Water	3,000	0	3,000	3,000	335	2,665	2,665	11.2%
Direct Indian Land Acquisition	2,000	0	2,000	2,000	2,000	0	0	100.0%
Interest Buy-Down Program	185,000 A/	105,268 B/	290,268	290,268	21,930	268,338	268,338	7.6%
Total Farmer Programs	4,491,000	105,268	4,596,268	4,596,268	3,080,516	1,515,752	1,515,752	67.0%
RURAL HOUSING PROGRAMS:								
Sec. 502 Low Income Housing Loans	1,339,800	0	1,339,800	1,339,800	1,143,926	195,874	195,874	85.4%
Subsidized	1,329,080	0	1,329,080	1,329,080	1,133,206	195,874	195,874	85.3%
Rural Housing Loans--Non-Sub	10,720	0	10,720	10,720	10,720	0	0	100.0%
Section 504 Very Low Inc. Housing Repairs	23,835	0	23,835	23,835	18,346	5,489	5,489	77.0%
Loans--Direct	11,335	0	11,335	11,335	5,848	5,487	5,487	51.6%
Grants	12,500	0	12,500	12,500	12,498	2	2	100.0%
Sec. 524 Rural Housing Site Dev. Loans	574	0	574	574	200	374	374	34.8%
Sec. 523 Mutual & Self Help Housing Gts	8,000	5,406 B/	13,406	13,406	8,398	5,007	5,007	62.6%
Sec. 515 Rur. Rent & Coop Hous Ln (Sub)	669,900	(115,000) G/	554,900	554,900	554,899	1	1	100.0%
Sec. 509 Comp. for Construction Defects	713	0	713	713	241	472	472	33.8%
Sec. 533 Rural Housing Preservation Grants	19,140	0	19,140	19,140	19,140	0	0	100.0%
Sec. 523 Self Help Land Develop Loans	500	0	500	500	500	0	0	100.0%
Sec. 521 Rural Rental Assistance	160,310	115,000	275,310	275,310	275,305	5	5	100.0%
RHIF--Renewals, New Construction & Serv	160,310	115,000 G/	275,310	275,310	275,305	5	5	100.0%
Separate Acct--New Construction	0	0	0	0	0	0	0	0.0%
Rural Housing for Domestic Farm Labor	20,997	304	21,301	21,301	18,268	3,033	3,033	85.8%
Sec. 514--Loans-Direct	11,484	0	11,484	11,484	10,686	798	798	93.1%
Sec. 516--Grants	9,513	304 B/	9,817	9,817	7,582	2,235	2,235	77.2%
Total Housing Programs	2,243,769	5,709	2,249,478	2,249,478	2,039,223	210,255	210,255	90.7%
COMMUNITY PROGRAMS:								
Water and Waste Disposal	439,775	16,590	456,365	456,365	448,043	8,322	8,322	98.2%
Loans	330,380	0	330,380	330,380	330,380	0	0	100.0%
Grants	109,395	16,590 B/	125,985	125,985	117,663	8,322	8,322	93.4%
Community Facilities Loans	95,700	0	95,700	95,700	95,700	0	0	100.0%
Guar. Business & Industrial Loans	95,700	0	95,700	95,700	95,700	0	0	100.0%
Guar. Finance Corporation Loans	0	19,140 C/	19,140	19,140	19,140	0	0	100.0%
Finance Corporation Grants	0	14,264 C/	14,264	14,264	14,264	0	0	100.0%
Rural Development Loans	0	8,139 D/	5,536	5,536	0	5,536	5,536	0.0%
Rural Development Grants	0	3,000 F/	3,000	3,000	3,000	0	0	100.0%
Watershed & Flood Prevention Loans	7,949	0	7,949	7,949	148	7,801	7,801	1.9%
Resource Cons. & Dev. Loans	1,207	0	1,207	1,207	0	1,207	1,207	0.0%
Grant Transfers from other Agencies	0	10,158	10,158	10,158	7,341	2,817	2,817	72.3%
Total Community Programs	640,331	71,291	709,019	709,019	683,336	25,683	25,683	96.4%
Fire Protection Grants	3,091	(3,091) E/	0	0	0	0	0	0.0%
Total Program - Loans	6,870,529	(87,721)	6,780,205	6,780,205	5,315,713	1,464,492	1,464,492	78.4%
Total Program - Other - Grants & Assist	507,662	266,898	774,560	774,560	487,362	287,198	287,198	62.9%
Total FmHA Programs	7,378,191	179,177	7,554,765	7,554,765	5,803,075	1,751,690	1,751,690	76.8%

A/ The Food Security Act of 1985 provided $490 million for FY's 1986, 1987 and 1988.
B/ Carryover amounts from prior years and anticipated for remainder of year.
C/ P.L. 99-500 extended authority for the Rural Development Finance Corporation Loans & Grants.
D/ P.L. 99-425 Reauthorized making loans from Rural Development Loan Fund.
E/ Transferred to the Forest Service.
F/ P.L. 100-71 authorized a grant for the development of Choctaw Regional Rural Industrial Park
G/ P.L. 100-71 authorized the transfer of $115 million from section 515 insured loan authorization to section 521.

BIOGRAPHICAL INFORMATION (PUBLIC)

1. Full name (include any former names used).

   Roland Rene Vautour

2. Address: List current place or residence and office address(es). List all office and home telephone numbers where you may be reached.

   Residence: P.O. Box 249
   Mountain Road
   Jeffersonville, Vermont 05464

   Office: Farmers Home Administration
   141 Main Street
   Montpelier, Vermont 05602

   U.S. Department of Agriculture
   Room 219-A
   Washington, D.C. 20250

   Telephone:

   Montpelier Office: (802) 828-4454
   Mondays and Fridays

   Washington Office: (202) 447-4581
   Tuesdays, Wednesdays and Thursdays

   Home: (802) 644-2054

3. Date and Place of birth:

   Berlin, New Hampshire - January 20, 1929

4. Marital Status (include maiden name of wife or husband's name). List spouse's occupation, employer's name and business address(es).

   Married

   Wife - Sally Liden Vautour
   Occupation: Proprietor Antique and Craft Shop
   Address: Mountain Road, Jeffersonville, VT
   Four (4) children - none at home

5. Education: List each college and graduate or professional school you have attended, including dates of attendance, degrees received, and dates degrees were granted.

University of New Hampshire

Attended: 1948-1952
Degree: B.S. Business Administration
Granted 1952

6. Employment Record: List (by year) all business or professional corporations, companies, firms, or other enterprises, partnerships, institutions and organizations, nonprofit or otherwise, including farms, with which you were connected as an officer, director, partner, proprietor, or employee since graduation from college; include a title and brief job description.

April 1981 to PRESENT - State Director, FmHA
Vermont/New Hampshire/U.S. Virgin Islands

Duties: Supervising Agriculture and Housing credit programs as well as Business and Industry and Community programs, 27 County Offices and four District, all phases of Credit Management and Rural Development.

December 1969 - April 1981 - Self-Employed Owner and Principal Broker, Sterling Realty

Duties: Listing and selling all types of rural property, i.e., farms, farmland, second homes and rural homes.

Concurrent with above

August 1980 - November 1980 - Executive Director, Reagan-Bush Campaign

Duties: Supervising and organizing political campaign.

August 1964 - December 1969 - Vice President, General Manager, Madonna Mtn. Corp.

Duties: All planning, supervision and operation of a major ski area and development of a resort village.

March 1961 - August 1964 - Commissioner of Development
State of Vermont

Duties: Responsibility for planning, supervising, and execution of development plans in three (3) areas, i.e., Agricultural, Industrial, Commercial and Tourist - Recreational.

October 1958 - March 1961 - Director of Industrial Development
State of Vermont

Duties: Designing, executing and recruitment of Industrial Development program, financing and client recruitment.

June 1956 - October 1958 - Director of Industrial Development
City of Waterville, Maine

Duties: Same as above.

June 1954 - June 1956 - Assistant Store Manager, Montgomery Ward
Waterville, Maine

Duties: Supervisor and management - ordering and sales of retail department store.

Assistant store manager, Montgomery Ward
Middletown, Connecticut

Duties: Same as above

June 1952 - November 1952 - Management trainee, Montgomery Ward
Plattsburg, New York

Duties: Management training program and management of department and sales.

August 1948 - June 1952 - Attended University of New Hampshire

June 1947 - June 1948 - Machine Tender, Brown Co.
Paper Mill, Berlin, New Hampshire

Summers
1946-1952 - Chauffer at Mt. Washington Hotel
Bretton Woods, New Hampshire

Duties: Drove station wagon from 18th green to club house (shuttle).

7. Military Service: Have you had any military service? If so, give particulars, including the dates, branch of service, rank or rate, serial number and type of discharge received.

None

8. Government Service: State (chronologically) your government service or public offices you have held, including the terms of service grade levels and whether such positions were elected or appointed.

Director of Industrial Development, State of Vermont
$9,000 per annum (appointed)

Commissioner of Development, State of Vermont
$9,500 per annum (appointed)

Member Vermont Board of Election, State of Vermont
Per $20 (appointed)

Chairman, Cambridge Town Planning Commission Vermont
(Appointed)

Present - State Director of Farmers Home Administration, U.S.D.A. Vermont/New Hampshire/Virgin Islands (appointed)

GS-15

9. Honors and Awards: List any scholarships, fellowships, honorary degrees, and honorary society memberships that you received and believe would be of interest to the Committee.

Highest Rating possible as State Director, FmHA

Honors Award for Outstanding Housing Programs, FmHA

10. Other memberships: List all organizations to which you belong, excluding religious organizations.

Copley Country Club, Morrisville, Vermont
Wofl Run Country Club, Bakersfield, Vermont

11. Published Writings: List the titles, publishers, and dates of books, articles, reports, or other published materials (including published speeches) you have written. Please include on this list published materials on which you are listed as the principal editor. It would be helpful to the Committee if you could provide one copy of all published material that may not be readily available. Also, to the maximum extent practicable, please supply a copy of all unpublished speeches you made during the past five years on issues involving agriculture, nutrition, forestry or commodity futures policy or related matters.

Nonpublished - none written - all extemporaneous

Approximately 30 speeches given on Agriculture, housing, and related subjects. None written or published - all extemporaneous.

12. Health. What is the present state of your health?

Excellent

FINANCIAL DATA AND CONFLICT OF INTEREST (PUBLIC)

1. Have you severed all connections with your immediate, past private sector employers, business firms, associations, and/or organizations?

   No. I currently maintain ownership of Sterling Realty, brokers license in State Real Estate Commission. Am Inactive. My son operates the business - No conflict.

   My wife and I still own Smugglers Forge Craft and Antique Shop - Operated by my wife - No conflict.

2. List sources, amounts and dates of all anticipated receipts from deferred income arrangements, stock options, incompleted contracts and other future benefits which you expect to derive from previous business relationships, professional services, firm memberships, former employers, clients, or customers.

   None.

3. Do you, or does any partnership or closely held corporation in which you have an interest, own or operate a farm or ranch? (If yes, please give a brief description including location, size and type of operation.)

   No.

4. Have you, or any partnership or closely held corporation in which you have a interest, ever participated in Federal commodity price support programs? (If yes, provide all details including amounts of direct government payments and loans received or forfeited by crop and farm, etc., during the past five years.)

   No.

5. Have you, or any partnership or closely held corporation in which you have an interest, ever received a direct or guaranteed loan from or cosigned a note to the Farmers Home Administration? (If yes, give details of any such loan activity during the past five years.)

   No.

6. Have you, or any partnership or closely held corporation in which you have an interest, ever received payments for crop losses from the Federal Crop Insurance program? (If yes, give details.)

   No.

7. If confirmed, do you have any plans, commitments, or agreements to pursue outside employment or engage in any business or vocation, with or without compensation, during your service with the government? (If so, explain.)

I will not have any participation in any outside employment except as noted in 1 above.

8. Do you have any plans to resume employment, affiliation, or practice with your previous employers, business firms, associations, or organizations after completing government service? (If yes, give details.)

I have no plans for future employment except as noted in 1 above. I do not know if I will return to Sterling Realty as owner/principal broker.

9. Has anyone made a commitment to employ you or retain your services in any capacity after you leave government service. (If yes, please specify.)

No.

10. Identify all investments, obligations, liabilities, or other relationships which involve potential conflicts of interest in the position to which you have been nominated.

None.

11. If confirmed, explain how you will resolve any potential conflict of interest, including any that may be disclosed by your responses to the above items.

None.

The CHAIRMAN. Thank you very much.

I would note for the record that Congressman Ron de Lugo of the U.S. Virgin Islands has a statement of strong support for you, based on the work you did in the Virgin Islands where, to summarize, you basically took what had been a very bad situation and turned it around, and he compliments your abilities in doing that, and that will be made a part of the record.

We will also include a statement of Virginia Smith, a Member of the House from the Third District of Nebraska. Ms. Smith also speaks highly of you, and that also will be made part of the record.

[The prepared statements of Congressman Ron de Lugo, Delegate, Virgin Islands and Representative Virginia Smith, Third District, Nebraska, follow:]

STATEMENT OF CONGRESSMAN RON DE LUGO
OF THE U.S. VIRGIN ISLANDS

Mr. Chairman, I am glad to take this opportunity to offer my complete support to Roland Vautour as the nominee for the position of Under Secretary of Agriculture for Rural Development.

I have found Mr. Vautour to be one of the most able public administrators I have worked with in the Federal Government. During his years as Regional Director of the Farmers Home Administration in Vermont, he supervised FmHA programs in the U.S. Virgin Islands and he took a personal interest in making those programs work.

That was no easy task. Mr. Vautour inherited a major problem in the Virgin Islands and he went out of his way to solve it. Before the Virgin Islands were transferred to Mr. Vautour's region, the territory's FmHA program had totally deteriorated. The main reason was the lack of managerial assistance and genuine interest on the part of earlier regional directors. The Virgin Islands FmHA program was plagued with abuses and, I hate to say it, one of the worst default rates in the nation. The response of previous administrarors simply was to point fingers and exchange accusations.

Then Mr. Vautour took control and brought a fresh attitude. He reopened communication between the Virgin Islands office and the wider community. He demanded strict professional standards and he helped show people how to meet those standards. Above all, he gave the subject his personal dedication and attention.

Mr. Vautour easily could have taken a distant, uncaring attitude. After all, he didn't create the problem. The Virgin Islands are mighty far from Vermont, and the territory is only one small part of his region. But Mr. Vautour did not fall back on any of these easy excuses. Instead, he went to work to make sure these federal programs work properly and professionally to help meet the housing shortage in the U.S. Virgin Islands.

We need more people like Roland Vautour in federal service.

I urge you to confirm Mr. Vautour's nomination, and I look forward to seeing his accomplishments in his new capacity as Under Secretary.

VIRGINIA SMITH
3d District, Nebraska

2202 Rayburn Building
(202) 225-6435

COMMITTEE:
APPROPRIATIONS
SUBCOMMITTEES:
AGRICULTURE
ENERGY AND
WATER DEVELOPMENT

Congress of the United States
House of Representatives
Washington, DC 20515

November 13, 1987

The Honorable Patrick J. Leahy
Chairman
Senate Committee on Agriculture
328A Russell Senate Office Building
Washington, D.C. 20510

Dear Mr. Chairman:

I am writing in behalf of Mr. Roland Vautour, who comes before your Committee for confirmation as Undersecretary of Agriculture for Communities and Rural Development.

While I am not a close personal friend or associate of Mr. Roland Vautour, personal knowledge of his work in my home state of Nebraska together with reports of persons I trust and respect regarding his performance in Nebraska is offered to the Committee for what it is worth.

In early February of 1985, I asked then Undersecretary of Agriculture, Frank Naylor, to send someone to Nebraska to aid in administering the Farmers Home Administration (FmHA) programs. We were facing a critical situation because of the near collapse of the agricultural economy. It was the prime lending season, January through May, and the loan program was swamped and bogged down almost to a standstill because of unexpectedly high demand from borrowers turning from conventional credit sources to the FmHA.

The Farm Loan Program was not geared up to handle either the Direct or the Guaranteed Loan Program. Mr. Naylor sent Roland Vautour to our rescue.

Mr. Vautour first met with the Congressional Delegation and outlined his plan to attack the incredible administrative nightmare. He followed through diligently and expeditiously.

Step one was to meet with key staff and to establish a system of priorities to get the delivery of Farmer Program loans moving. He replaced, reassigned, and recruited personnel to fit the needs. Next, he met with the Nebraska Bankers Association and with their help, 650 bankers in a five-day period, to encourage participation in the Guaranteed Loan Program.

The results speak for themselves. The number of approved lenders went from 82 in January 1985 to 256 four months later. The Guaranteed Loan volume went from $15,845,050 in 1984 to $164,610,380 in 1985. He

left Nebraska on May 7, 1985, having accomplished much toward delivery of credit to Nebraska farmers at a very critical time.

I hope these facts will help the Committee in evaluating this candidate. If additional clarification is needed, please let me hear from you again.

With best wishes, I am

Sincerely,

VIRGINIA SMITH
Member of Congress

VS/jw*

The CHAIRMAN. I would note we have a number of Senators here now, and before I go into some questions, I yield first to Senator Harkin, if he has a statement, and then to Senator Cochran, Senator Conrad, and then to Senator Bond.

Senator Harkin.

STATEMENT OF HON. TOM HARKIN, A U.S. SENATOR FROM IOWA

Senator HARKIN. Mr. Chairman, thank you very much.

I do not have an opening statement. I just want to welcome Mr. Vautour to the committee and to just reemphasize, I am sure, the points you already made, Mr. Chairman, before I arrived in the room, and that is that this position is one of utmost importance to all of us who represent highly rural States like Vermont or Iowa or places like that, and that as you know, Mr. Vautour, there was a previous appointee to this position who ran into some very serious difficulty—difficulty, I think, because of background, attitudes, and positions taken regarding the status of rural America. This is the first time we have had the opportunity to meet, formally or otherwise.

Again, I look forward to the question and answer period, because I do have a series of questions regarding some aspects of the Farmers Home Administration, Rural Electrification Administration, and rural revitalization that I would like to have some of your views on prior to proceeding to a vote on this nominee.

But I do welcome you. It is a big undertaking. There is a lot to be done out there, and all of rural America needs to have someone who really champions its cause, and I think that is what all of us are looking for, someone to champion the cause of our small towns and communities in rural America.

Mr. VAUTOUR. Thank you, Senator.

I will try to answer any questions as best I can.

Senator HARKIN. Thank you, Mr. Vautour.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you.

Senator Cochran.

STATEMENT OF HON. THAD COCHRAN, A U.S. SENATOR FROM MISSISSIPPI

Senator COCHRAN. Mr. Chairman, thank you very much.

I want to express my optimism about the nominee's ability to do well in a very difficult job. I know that when he was serving in his capacity as State Director of Farmers Home Administration for Vermont, he was asked to come down to our State to try to help acquaint a newly-appointed State director with some of the difficulties that he might encounter with the job. We, as the Chairman may know, had a larger portfolio of Farmers Home Administration loans per farmer than any State in the Union—and we may still have that distinction. It is an indication of how difficult life has been in the rural areas of our State for some time now.

But Mr. Vautour was asked to go to Mississippi to try to help out in a period of crisis there, and he did a wonderful job. I had the opportunity at that time of getting to know him somewhat, talking with him in my office about problems that we had in our State.

And he helped establish the first Homestead Retention Program in Mississippi. That was a pilot program that was established in our State as the first State in the Union, to try to help farmers who were in difficulty retain their homesteads from liens of the Farmers Home Administration. He displayed a lot of sensitivity to the problems of individual land owners and broke farmers.

I wanted to just point that out to the Chairman and other members of the committee. I think a lot of him, and I think he will do an excellent job in this capacity.

The CHAIRMAN. Thank you.

Senator Conrad.

STATEMENT OF HON. KENT CONRAD, A U.S. SENATOR FROM NORTH DAKOTA

Senator CONRAD. Mr. Chairman, I have no opening statement.

I, too, want to welcome Mr. Vautour to the committee and simply to share with him the experiences I had this weekend back in my home State of North Dakota which, despite what we read in the news media, we are not seeing much in the way of recovery out there.

I have just been at a series of town hall meetings, and I must say it is the same kind of testimony that we have received over and over. We have a significant number of our producers who are in deep trouble, and if they do not get some assistance, perhaps more critically, given what we hear about the budget negotiations, if they have the rug pulled out from under them at this critical time, we are going to see some real tragedies out across my State.

So I am hopeful that you will be sensitive and the kind of aggressive advocate that we so desperately need in Washington.

With that, again I welcome you to the committee and I hope to have a chance to ask you some questions.

Mr. VAUTOUR. Thank you, Senator.

The CHAIRMAN. I should also note for the record that Senator Lugar, the ranking member of the committee, would have been here for this, but he had a fall last week during the snowstorm. You and I were in Vermont during that snowstorm, where we did not have any snow, but we saw the results of it the next morning when the two of us flew back from Vermont and tried to get in from the airport. But Senator Lugar had a fall and injured his face and will be out for a bit, and that is the only reason why he was not here, because he also was interested in this and had spoken to me about these hearings as had the Secretary of Agriculture, too.

Senator Bond.

STATEMENT OF HON. CHRISTOPHER S. "KIT" BOND, A U.S. SENATOR FROM MISSOURI

Senator BOND. Thank you very much, Mr. Chairman.

I simply join with my colleagues in welcoming Mr. Vautour and saying that if he can overcome the language barrier and provide assistance in Mississippi, it truly is a mark of not only great skill, but dedication. I, too, will have a number of questions. I will be interested in Mr. Vautour's philosophy and how he proposes to approach some of the difficult responsibilities that will be facing him.

We are happy to have you here, sir.

The CHAIRMAN. I have been to Mississippi twice now, with Senator Cochran, and they have been very good. They have provided us simultaneous translation; a corrected record afterward, and all the catfish you could eat. It is all part of the program when Northerners come down there—also amnesty for the day. I have never quite gotten it for longer than that; I have usually had to be out-of-town by sundown.

Senator BOND. Yes, good idea.

Senator COCHRAN. Mr. Chairman, I have a statement from Senator David Karnes, which I would like to have included at the appropriate place in the record.

[See page 5 for the prepared statement of Senator Karnes.]

The CHAIRMAN. It will be included with the opening statements as though read.

Mr. Vautour, as I said, we welcome you here. You and I have discussed a number of these issues before, anyway, both in my office and informally in traveling back and forth to Vermont.

Senator Conrad alluded to one matter, and a number of us saw it when we were out for hearings in North Dakota. We were concerned about Farmers Home rulemaking. And when we came back to Washington, we had a hearing with the head of Farmers Home, and I think it is an understatement to say we expressed our dissatisfaction with USDA's failure to adequately involve the committee or the general public in making what were some sweeping new Farmers Home regulations regarding eligibility for farm operating and ownership loans. In fact, it was one of the more heated meetings we have had.

The regulations would have significantly restricted low equity and beginning farmers' access to programs. Secretary Lyng and Administrator Vance Clark have both assured us that the revised Farmers Home Administration regulations will be issued as proposed regulations with appropriate time for public comment.

What struck me the most as the brandnew Chairman of the committee was when we went out for these hearings, and somebody in North Dakota walked up to me at dinner and asked, "What do these regulations mean?" It had been a very short time—I think by the time they actually arrived in the mail—and Kent, you can correct me on this—but I think we only had about 20 days from the time they actually got in the mail to comment, and it was very thick. And they said, "You are a lawyer. What does it mean?"

Well, I went down through it, and I have always considered myself a fairly good lawyer, and I was baffled by these regulations.

So, as Under Secretary, you are going to have to take measures to ensure meaningful notice and comments on regulations and programs you are going to oversee. What are some of the things you can do to make sure there is that kind of dialog with this committee? I might say that this committee will take a very strong bipartisan attitude on these.

What kind of steps can you take?

Mr. VAUTOUR. As Under Secretary, obviously, I would be in a position of administering policy, and part of that policy is working with both the Senate Agriculture Committee and the House Agriculture Committee. I think this committee has every right to

expect that every regulation that is going to affect ultimately one way or another, even remotely, a borrower out there would have a right to certainly have these regulations run by you, run before you, if you will, prior to the publication in the Federal Register.

I am not sure that the committee—and maybe I am assuming too much—but I am not sure that the committee is going to want to get involved in everything we do with crossing "t's" and dotting "i's" with regard to administrative functions and the actual interior mechanism of running the organization. If you do, certainly, I would be willing to do that.

But I think the ones that affect the borrower, the ones that affect your constituents, if you will, certainly, you have a right to expect that, and I as Under Secretary would see that happens.

The CHAIRMAN. Thank you.

You understand, I agree with you, we do not want to go into crossing every "t" and dotting every "i" in administering programs in the Department. That is going to be your job. What we are concerned about are those things that, in effect, make a basic program change. Every one of us, when we go home, are going to be asked about it. Sometimes those changes are good and they are necessary. Sometimes they are the sort of thing that we would like to look at twice. So I would appreciate that kind of help.

I would like to also know what steps you would take to ensure that discretionary programs administered by Farmers Home Administration and REA are effectively implemented in the future.

Mr. VAUTOUR. The Congress in its wisdom——

The CHAIRMAN. We are not always wise, I would hasten to add.

Mr. VAUTOUR [continuing]. I have to assume that that is the case—the Congress established these programs, and I see the responsibility of the Under Secretary to administer those programs in the areas, obviously, that he or she has to supervise, which is Farmers Home, Federal Crop, and REA. Now, what I can do to see that these are administered is obviously, on a day-to-day, week-to-week basis, make sure that the Administrators of those agencies understand that in fact these are things that the Congress has deemed and that to the best of our ability, we will try to administer them. Now, that is not to promise and to say that absolutely every program will be administered 100 percent. Sometimes that does not happen. But certainly, there will be no conscious effort to slow a program down.

The CHAIRMAN. FmHA also has large farm losses that are outstanding and have not shown up on the books anywhere. Wouldn't sound business practice dictate that Farmers Home recognize these losses as soon as possible?

Mr. VAUTOUR. Absolutely.

THE CHAIRMAN. How could that be brought about? I realize it becomes an accounting thing, but doesn't it give us a better picture than to suddenly have all these losses dropped in our lap someday?

Mr. VAUTOUR. Well, the condition of the revolving fund, I think, is ongoing, and a quick glance at that will pretty clearly state what the ultimate position of the fund involved is.

Now, you have three. You have the Agricultural Insurance Credit Fund; you have the Rural Housing Insurance Fund; and you

have the Rural Development Insurance Fund. If you look at the total amount of borrowings either from the Treasury or from the Federal Finance Bank versus the number of loans that back those up, you begin to see a shortfall in those numbers, and that pretty much indicates the condition of the portfolio.

The CHAIRMAN. Now, as I see land prices becoming affordable in some parts of the country, and we can have all kinds of debate about how this happened, but when it does, this gives us a chance in some areas to rebuild family farm agriculture. Will Farmers Home make an effort to do just that?

Mr. VAUTOUR. I see that as an opportunity. I think that Farmers Home has been a lender of last resort, but more than that, it is a lender of supervised credit. By that, I mean being able to work with a borrower, be he a young entry-type farmer, or an elderly disadvantaged farmer, or somebody who does not really understand the total workings of the financial world. I think it is up to Farmers Home to work with those people, get them to a position where they have equity, where they have equipment and machinery, and then move them out into the private financial world as quickly as possible. And I think we can do that by the use of our inventory property and the use of operating credit.

The CHAIRMAN. I have a series of questions[1] which I will submit to you because I do know you will answer them; you have already assured me you would. And secondly, I seem to be battling the flu that everybody else has got, so count your blessings in that regard.

I do have one, though, that I would like to ask here, and then I will yield to Senator Cochran.

Many Federal agencies including REA and Farmers Home have participated in asset sales programs during fiscal year 1987. What is your view of Government asset sales generally and for Farmers Home and REA in particular?

Mr. VAUTOUR. Well, I guess I would have to say I support the sale of assets if they are done correctly, if they are taken in the context of what they are supposed to be, which is really taking an asset that we have, selling it in the market, getting the money up front, and utilizing that money either to the benefit of the Federal debt or otherwise. But the discount that is taken on that really is a discount that the Government is going to have to pay if it carries it to its ultimate extreme in any event through continuing interest payments.

I guess to sum it up as simply as I can, I think that a responsible sale of assets is good. I do not think there can be a wholesale dumping of assets, because I think we are going to adversely impact the market, and I think we are going to adversely impact the amount of money that the Federal Government has a right to expect from the sale of those assets.

The CHAIRMAN. Thank you.

Senator Cochran.

Senator COCHRAN. Thank you, Mr. Chairman.

Mr. Vautour, one of the important programs that Farmers Home Administration administers is the Rural Housing Program. When

[1] See page 44 for Senator Leahy's questions to Mr. Vautour.

Chairman Leahy and I went to Mississippi for a hearing a few years ago, that was the subject we explored at a hearing in Greenville, Mississippi.

What is your attitude about the Rural Housing Program? Would you support continuation of a housing program under Farmers Home Administration and work to see that funds are appropriated for that purpose or administered throughout the country, and loans made, and the program administered in a friendly way?

Mr. VAUTOUR. If the Congress states that there will be a housing program, and funds are appropriated for that, yes, I would vent every effort to utilize those funds to the advantage of rural America.

Senator COCHRAN. I know that there are other subjects that come under the jurisdiction of this office that you are to assume. Do you feel as though your background and experience qualify you to handle those other tasks, other than the Farmers Home Administration programs in which you have been working directly since you have been working for the Government?

Mr. VAUTOUR. Yes, I do. And the reason I do is I do not lay claim to being an energy expert, and I do not lay claim to being an insurance expert. But the position of Under Secretary is an administrative one, and it is a policy one, and it is one of oversight of the various agencies. And I think, yes, I do have those capabilities.

Senator COCHRAN. Thank you very much, Mr. Chairman.

The CHAIRMAN. Thank you, Senator Cochran.

Senator Harkin.

Senator HARKIN. Thank you, Mr. Chairman.

Mr. Vautour, one of the larger entities under your jurisdiction, of course, and one that is going to, I am sure, if you are so confirmed, use a lot of your time and energy on is the Farmers Home Administration.

As you know, we have had a real problem in the last few years with Farmers Home Administration with delinquencies, with the amount of outstanding debts. I was just looking at a graph here, showing the amount of outstanding principal that is delinquent which, right now, at the end of 1986, is roughly around $14 billion, compared to the outstanding principal on all of the programs of about $28 billion—so around 40 percent.

Mr. VAUTOUR. That is right.

Senator HARKIN. Something like that; I would say that is a ballpark figure.

Mr. VAUTOUR. The actual figure is 28 percent, currently, delinquent.

Senator HARKIN. So, 28 percent are delinquent—of the principal, 28 percent outstanding——

Mr. VAUTOUR. Of the borrowers.

Senator HARKIN. Of all the borrowers.

Mr. VAUTOUR. Of the borrowers.

Senator HARKIN. I am talking about the total amount of money that is out there.

Mr. VAUTOUR. Well, yes, that could well be. I am not familiar with that. But I do know it is about 28 percent of the borrowers that are delinquent.

Senator HARKIN. Of the total borrowers are delinquent, yes, that I do know. That is true, about one-fourth.

Mr. VAUTOUR. Yes.

Senator HARKIN. And then I think it must be somewhere between 30 and 40 percent of all of the principal that is out there is now delinquent.

I guess what I am interested in—we have had some problems in the last few years of Farmers Home not being engaged in mediation efforts and trying to work out some way for these delinquencies to become payor again, to the extent that we just had a long hassle here on the farm credit bill to put in a provision dealing with this whole thing on Farmers Home, to get them involved in mediation, to get them to write this off, to get them to move ahead and let these people once again start paying their debts.

I guess I was wondering if I could just have your thoughts on that. What would be your instructions to Farmers Home? Now, there is existing law that provides basically for the very things that we put into the farm credit bill, but since it has not been utilized, we decided to have another go at it and to more strictly delineate what Farmers Home is to do under this farm credit bill, which I think will be on the floor here very shortly.

I am just wondering, as now the overseer of this program, what your thoughts are on that, how you would attack this problem of these delinquencies and this huge amount of money that is still out there? What would your views be on that?

Mr. VAUTOUR. I was asked what do I consider to be the most important issue facing Farmers Home Administration, and you have just hit on it. Some may say that the agricultural crisis has turned, and it may well have. But it has not turned for 53,000 delinquent borrowers that Farmers Home has. That crisis is still very real—both personal as well as financial.

I look at Farmers Home Administration as a "work with" and "work out" agency. Just ignoring the problem, it is not going to go away.

Now, how that is accomplished, I think, has to be taken on a case-by-case basis. But I will tell you this. I think activism has got to be part of our approach. In other words, if a farmer is out there, and he is that close to being liquidated, but there is an outside prayer that he can make it, I think he deserves that chance from us.

Now, that would involve write-down, write-off. The only caveat that I would want to see on that is some measure of recapture, either through the sale of the property later, down the road, if in fact it is sold, but not a forced sale, or perhaps even, if the man is brought back to a cash-flow situation where he is making his payments and able to live, perhaps that set-aside portion is added at the end of the amortization period.

Senator HARKIN. How long would you have that period of recapture?

Mr. VAUTOUR. I really have not given it that much thought. But I would say if it goes 20 years, and he has 20 years left at the end of his amortization period, and in order to amortize that portion set aside would require another 2 or 3 years, then I think it would be logical to assume that, to put that on the end.

Senator HARKIN. You are talking about the portion that was written down?

Mr. VAUTOUR. That is right.

Senator HARKIN. Are you familiar with chapter XII bankruptcy proceedings?

Mr. VAUTOUR. Oh, yes.

Senator HARKIN. Do you know what the recapture time is for chapter XII?

Mr. VAUTOUR. Under chapter XII, there is none.

Senator HARKIN. Under chapter XII, it is 5 years. If a farmer goes into chapter XII bankruptcy, and the bankruptcy judge says, OK, here is what the real value is now; it is not here; this is what the real value is, and you pay back this portion, that difference is set aside for up to 5 years—no longer than 5 years.

Mr. VAUTOUR. That is right.

Senator HARKIN. And after 5 years, that person, the farmer, is home free and clear beyond that. That was the argument that was made here at this table by me and I think maybe by someone else when we were discussing this with Farmers Home, that if the Farmers Home provisions are more onerous than chapter XII, then the farmer would be crazy if he went to Farmers Home. He would go through chapter XII.

But the point is the data is there—and I can provide that data to you—to show that chapter XII is more expensive to the farmer and more expensive to the Federal Government to go through chapter XII than it is restructuring.

Mr. VAUTOUR. I agree.

Senator HARKIN. So we could argue here if we want to do away with chapter XII or not, but that is a moot point. We have chapter XII, and it is here, so farmers take chapter XII. And if there is a recapture provision of, let us say, 10 years on value—I do not mind if it is on sale; in other words, if a farmer sells that land at some point, then certainly the Government ought to recapture that—but if it is just over 5 years on evaluation, if you just had an evaluator out there at the end of 10 years and he says, OK, now your property is worth so-and-so, and we are going to recapture that, then the farmer is going to go through chapter XII. I would hope that you would take a look at that. I understand what you are saying is that if there is an increase, the Government ought to get that back. I agree with that. But faced with the provisions in chapter XII bankruptcy, it will not happen.

Mr. VAUTOUR. I agree with that except for one point, that I do think that if we administer the regulations that currently exist in Farmers Home, we can give the farmer a much better break than he can get in chapter XII.

Senator HARKIN. Oh, I agree with that, yes, absolutely—if it is administered correctly, and if you really want to do that, you can give him a better deal than chapter XII.

Mr. VAUTOUR. I agree.

Senator HARKIN. And quicker, too.

Mr. VAUTOUR. Absolutely.

Senator HARKIN. And less cost to the farmer, less cost to the Government. The only ones that will be out will be the attorneys.

Those are the only ones out, and quite frankly, they can make their money someplace else.

Well, I appreciate your answer on that. I think you have a good understanding of that, and I appreciate that very much. It is an argument that has been made around here a lot.

I have just a couple of other questions.

Inventory of farmland. Over the last 3 years, Farmers Home has gotten quite an inventory of farmland, somewhere in the neighborhood of 1.6 million acres or something like that sticks in my mind. And there are provisions for Farmers Home to sell this land. But basically what has been happening is they have been classifying it as surplus land after 3 years; if they do not sell it, they classify it as surplus land, which means they can sell it to outside investors.

I have cases in my office that have come in where there have been 80-acre parcels of land which neighbors nearby that were Farmers Home-qualified borrowers could have picked up that 80 acres, could have incorporated it into their operations, yet it was held for 3 years, declared as surplus land and sold to an outside investor because it did not have buildings on it or did not have a house on it, and I do not understand all that paraphernalia.

I guess what I am interested in is there are provisions in the law that basically state that Farmers Home is to return this land to Farmers Home-eligible-type borrowers. There is a public policy inherent in that. We want to give access to agriculture, to young people, to new people coming in, and provide them the wherewithal to get started in agriculture.

But as has been happening, this has been held off, and I have some figures here—I was just looking for it, and I do not have it right now—here it is—of the 1,243 parcels of farmland sold in the first 10 months of fiscal year 1987, only 280, or 23 percent, were sold to persons eligible for Farmers Home assistance. The other 963 parcels, or 77 percent, were sold to nonfarm investors and financially well-established farmers not eligible for Farmers Home programs.

I guess my question is what should we do with those 80-acre parcels that are sitting out there?

Mr. VAUTOUR. If it is a viable piece of land that can make a viable farm, I agree; I think it not only has to be, but it should be, because our regulations call for it, sold to an eligible borrower.

I think where I might take a little bit of exception is if a piece of land clearly, clearly, is not a good piece of farmland—it is hanging straight up and down—you do not have that problem out in Iowa, but the Chairman and I have that—you know, where it clearly is not and has no value for farming, I think the agency ought to be permitted to get rid of that land, sell it and get it off the books and get that money back as quickly as possible.

But I do agree, where there is a good, viable farm, then it should be offered to the eligible borrower as soon as possible and make every effort to do it.

Senator HARKIN. Would that be one of your priorities?

Mr. VAUTOUR. Absolutely, and I will tell you why I say that is because I think if Farmers Home is ever going to be in a position to help the entry-level farmer, we cannot do it by loading him with so much debt that it is going to fold of its own weight. We have to

do it on a gradual basis, and I think the use of inventory land—suitable inventory land—could go a long way toward helping that.

Senator HARKIN. I have got a lot more, Mr. Chairman—but I like that position, and I hope you will aggressively pursue it, Mr. Vautour.

I have just one more——

The CHAIRMAN. Always be careful when somebody says, "just one more." [Laughter.]

Senator HARKIN. He is batting two-for-three right now. That is pretty good.

In 1987, Farmers Home Administration began to collect debts from its delinquent borrowers by offsetting both cash and PIK payments due to the borrowers from ASCS for their participation in the commodity programs.

Now, you have two agencies here. You have got the Commodity Credit Corporation and ASCS, and then you have got Farmers Home Administration. Farmers Home Administration has been using the payments and the PIK certificates to offset; they have been taking them. Yet, what that does is it destroys the participation in the programs because farmers say, "Well, why should I participate? I do not get anything out of it. I cannot even get my living expenses or my operating expenses."

Again, I want to know, do you feel that offsetting the cash payments and the PIK payments to farmers is an appropriate offset for the Farmers Home Administration to be doing?

Mr. VAUTOUR. At the present time, it is my understanding that the offset is used only—ASCS offset or CCC offset—is used only for accelerated accounts, and that the person is told beforehand, before this happens, and has the right to request of the county supervisor for a living expense deduction or release, if you will; he has the right to request that.

I guess my comment on that is the Secretary has said certificates are not going to be negotiable, and that only cash payments will be offset——

Senator HARKIN. Will be taken by farmers.

Mr. VAUTOUR. That is right. And I think in that case, only on accelerated accounts, and again, not until the borrower has been notified beforehand, and if he is looking for a release of that money for living purposes, has the opportunity to do so.

Senator HARKIN. But in many cases, they are not getting that from Farmers Home. We just had a big debate on that——

Mr. VAUTOUR. Then, I guess your next question logically would be: What are you going to do——

Senator HARKIN. What is your position going to be on those living expenses?

Mr. VAUTOUR. I have to reply that my position obviously is going to be one that, if the law and the regulations state something, that we have to live by them, and we cannot be operating out of our hip-pocket.

We have some 1,900 county offices out there, and obviously they are not robots or automatons; we have 1,900 different individual personalities. Some of them may go by the regulations, some of them may not. I guess my best answer to that, Senator, is that I would do my level best to see that there is some modicum of gener-

ic approach to the problem so that at least everybody gets a fair shot at it.

Senator HARKIN. In other words, a clear directive from your office to those field offices might go a long way toward standardizing some of this.

Mr. VAUTOUR. Administer the regulations as they are written. We have no choice, and we can do no less than that.

Senator HARKIN. Thank you very much, Mr. Vautour.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you, Senator Harkin.

Senator Bond.

Senator BOND. Thank you, Mr. Chairman.

To follow up on Senator Harkin's question, Mr. Vautour, we understand that they have been taking the PIK certificates and offsetting them, but only doing so at face value, whereas in fact, many of these PIK certificates are worth more on the market.

Do you see any policy reason why we should not direct that the PIK certificates be used to get the full market value to benefit the farmer through reducing his debt, rather than just taking them at face value?

Mr. VAUTOUR. I would look at it from the point of view that it would be counterproductive for Farmers Home to do otherwise.

Senator BOND. As we understand it, that is what they are doing now, and we may propose means of addressing that in the farm credit bill.

Let me move on to a broader question. I am very much interested generally in the whole area of rural development and revitalization, and I would be interested in learning something of your priorities, how you would choose between keeping more farmers essentially on their land full-time or assuring that young people can remain in their communities and participate in farming, although perhaps not receiving their full income from farming.

I would like to know if you have any specific initiatives that you would like to pursue, and if so, what do you think would be reasonable goals for you to set and for us to review a year from now?

Mr. VAUTOUR. I do not think it is an either/or situation. I think it is going to be a well-rounded approach. Obviously, we are charged with the responsibility of administering farm programs which in many cases, let's face it, is the heart and soul of rural America out there.

In addition to that, however, there are more and more farmers who are depending on off-farm income to keep the economic unit as a unit, if you will.

My priorities will be in rural development; they will be obviously in administering the loan programs as best we can. And you might ask me, well, how do I intend to do that. That is a very complex area, but suffice it to say I think the best way I can approach it is to face the fact that we have a finite limit on resources available and to get those resources that are available to the areas that need them the most.

Now, that is not easy to do, but right now at the present time, we are rewriting some regulations in Farmers Home Administration that are going to take the business and industry loan program and set up a point rating system so that the $95.7 million that are

available in that loan program can be used in areas where it is most needed and not in areas that border on a major metropolitan area that really, in the final analysis, one might well utilize the funds but do not need it nearly as desperately, for instance, as somebody in the sand hills of Nebraska might.

Senator BOND. Or the foothills of Missouri.

Mr. VAUTOUR. Or the foothills of Missouri, all right.

Senator BOND. I realize it is a difficult job, but are there any specific goals? I assume that if the Senate confirms you, which I certainly hope we will, that things would be a little better. How would we expect them to be better as a result of your administering these programs?

Mr. VAUTOUR. I think it should be clearly stated, at least on my part, that I view the Federal Government as not being the answer, or the be-all and end-all to rural development. I think we are a catalyst. I think we can play a very major role. But I think in the final analysis, we have to depend on local leadership. I know it has worked that way within the State of Vermont, and I am sure the chairman can bear me out on that. He comes from a county that literally lifted itself up by its bootstraps through local leadership. And I think it is up to the Federal Government through the administration of Farmers Home Administration, water and sewer loans, community facility loans, and business and industry loans, and channeling those loans to those areas that need it the most, providing some of the infrastructure. But I think the six-point program that was outlined by the Deputy Secretary some 5 months ago has a great deal of merit, and I think the merit is that it utilizes the facilities that the Federal Government has for the local community but lets the local community do this on their own and guides them to the areas and to the help that they need in order to get it done.

I often said as Commissioner of Development, when I was in Vermont, give me 10 dedicated leaders, and I can make almost anything happen. And I think that is the case in rural America. It is going to be our job—and when I say "our job," I am referring now to a teamwork between the State, the county, the local, and the Federal Government—to develop that kind of leadership in rural America so that these things can happen.

Senator BOND. Do you have any feeling that the Federal Government's programs are scattered among so many different agencies that there is a lack of coordination? Granted, they may not be the be-all and the end-all. Are there any suggestions you would have for improving coordination or assuring the implementation of a comprehensive plan?

Mr. VAUTOUR. Well, that is what the Under Secretary for Small Community and Rural Development is supposed to do. And hopefully, if confirmed, I pledge to you that I will in fact do that to the best of my ability.

The agencies that are furnishing the infrastructure necessary for rural development are under the wing of the Under Secretary of Small Community and Rural Development.

Senator BOND. So we could expect a comprehensive plan of how you are going to go about it.

Mr. VAUTOUR. Well, I would certainly hope so. I would pledge to you that I will do my best to do it, yes.

Senator BOND. Thank you, Mr. Chairman.

The CHAIRMAN. Thank you, Senator Bond.

Senator Conrad.

Senator CONRAD. Thank you, Mr. Chairman.

Let's go back to the question of administrative offsets. While we were debating the question here of restructuring in the Subcommittee on Agricultural Credit, giving both the Government and farmers the opportunity to deal with what has developed over the past several years in terms of the delinquency in the portfolios and the consequent need to restructure, we had a series of bipartisan compromises, which seemed to arrive at the possibility of restructure.

I am first of all interested in your attitude toward restructuring. I asked Mr. Clark in a hearing that we held in this room what his attitude toward restructuring was, and he told me he thought it was wrong, that Government should not be in the business of forgiving debt.

What is your attitude toward restructuring?

Mr. VAUTOUR. Well, I guess to some extent I would have to agree. I do not think we should be in the business of forgiving debt. However, I do think we are in the business, if we are making loans, to have responsible followup and responsible servicing, to make every possible effort to make that borrower a successful borrower. Now, if that involves set-asides or involves reamortization, interest rate reduction, or whatever it takes to make that man whole if in fact he can be made whole, then I think it is our responsibility to do that.

Senator CONRAD. Well, let me become more specific. We have put in the farm credit bill a strong indication that the Congress wants to have restructuring of debt, focusing as a priority on the writing-down of debt.

Now, the legislation specifies criteria so that you write-down only after you have established that the Government is going to recover more by doing that than by foreclosing. I asked Mr. Clark if he had ever written-down debt when he was in private industry. He said, "Oh, absolutely."

And I asked, "Why did you do it?"

His answer was, "Well, we did it because it made sense to the bottom line."

But he then showed a different attitude when it is Government. I do not understand that difference, frankly, and I would be interested in knowing your attitude.

Do you believe there is a difference between the judgments that ought to be made private sector versus public sector in the situation we find ourselves in today?

Mr. VAUTOUR. On the whole, no. And with the exception I noted earlier, I think it would be wrong to send the wrong signal to the 85 percent of farmers out there who have really broken their butts and have made it and have worked very hard. I think we should not be sending the wrong signals to them. But I think you are right, if we get to the point where it makes more sense to the borrower, to the farmer, the producer, if you will, and to the Federal Government to do it, then I see little cause to think otherwise.

Senator CONRAD. Let me pursue now the question of administrative offset more directly. When we were in the midst of debating

the farm credit legislation, I went home 3 weeks ago. I went to a county and was presented with a situation in which FmHA had announced the use of administrative offsets on 34 farmers in that county, while the farm credit legislation is pending that will provide the potential for restructuring. At that very time, FmHA officials are sitting here, negotiating about how we potentially restructure people to get a greater recovery for the Federal Government, and at the same time, allow people to stay on the land. At that very time, they are issuing administrative offsets to take all of the cash payments, all of the Government payments, no release of living or operating expenses for these farmers.

Does that make sense to you?

Mr. VAUTOUR. No, because the regulations clearly state that before that happens, the borrower has a right to sit down and counsel with the county supervisor and make his case; and if in fact it makes sense for the county supervisor to do it, then that should happen. Administrative offset is again a collection of last resort, and is taken only after all other remedial actions are taken, but never—I do not think ever—should be taken at the expense of starving a family out.

Senator CONRAD. Well, I am very pleased to hear you say that, because honestly, it makes absolutely no sense to me. But that is precisely what they are doing in my State right today.

I have three cases with me. I have a case of a couple, 59 and 60 years old, who have raised seven children who have now moved off the farm. They have $460,000 they owe FmHA; first lien on property now valued at $108,000; machinery valued at $30,000. They have been relying on their deficiency payments to put in and take off the crop. They count on the deficiency payment to pay the electricity bills. They received notice in October FmHA was offsetting. They have no money to file chapter XII. They have a drawer with two checks in it from the sale of cattle—$17,000. If they turn over the checks, and FmHA has told them they will not release any money for them to live on—none. If they sell their grain from this year's harvest, the checks will also be taken.

There is absolutely no incentive for them to turn over these checks, because FmHA will not release any money so that they can eat. They have no savings account, no money in their checking account. I mean, honestly, in my State, it is case after case after case like this.

Mr. VAUTOUR. Senator, I have no answer to that other than what I have already stated.

Senator CONRAD. I would like to submit these cases to you because, honestly, what is going on in my State is just senseless. And I would very much hope that you, if you take this position, would evaluate the administrative offset.

The other issue that jumps out in these cases is there is no discrimination. You have different sets of facts, but they are being treated all the same, at least in my State. I cannot speak for others, but I know what is happening in my State, and it is just mind-boggling in its senselessness.

I would very much hope—and I would ask you, to evaluate this whole area of administrative offsets, especially in light of the farm credit legislation that is moving on a fast track through Congress,

to see if it doesn't make sense to wait until we have this further authority to restructure. Many of these were in the one county I was in, 34 cases in one county. And these people's loans were, most of them, emergency loans. Of course we all know the story—14 percent loans, they can't pay them back. These people, many of them, could be restructured. These are people who have been farmers for a quarter of a century, good ones. I would urge you to take another look at this to see if we could not have something that has got more rationality.

The CHAIRMAN. Senator Conrad, were you finished?

Senator CONRAD. I have some other questions, Mr. Chairman, but I do not want to take the time now. I would like to submit them.[2]

I very much like the attitude that I am seeing here, and I want you to know we appreciate that, because I think part of this is attitudinal. Part of it is policy, part of it is philosophy, part of it is just attitude. And I very much appreciate the attitude I have seen here.

Mr. VAUTOUR. Thank you, Senator.

The CHAIRMAN. Senator Harkin.

Senator HARKIN. Thank you, Mr. Chairman.

I do not want to take any more of the committee's time, either. I just have a couple questions dealing with the REA, which also will be under your jurisdiction.

We authorize the REA borrowers to refinance high interest rate loans made by the Federal finance bank under REA guarantees. However, there seems to be some administrative blockage there, and very few have been able to refinance. I just wonder what your attitude might be on that?

Mr. VAUTOUR. Well, again, I have no strong feelings against refinancing. I think part of the problem has been—and I want you to clearly understand that REA cannot control the Federal finance Bank—that the Federal finance bank has a restriction that it cannot be prepaid unless, I believe, there is compensating benefit. But the prepayment of loans without a penalty cannot be done unless the Federal finance bank agrees to it.

With regard to the ones that were in fact allowed—and I think it was $2.017 billion or something that the Congress said you will permit prepayment, but mostly for generating and transmission companies—that was agreed as an administrative foulup to some extent. To a large extent, however, the rapid increase in interest rates slowed down that process. Many of the generating and transmission companies found it was not cost-effective for them to refinance, with the costs involved and everything else, with the increasing interest rates. They did not need the $2.017 billion.

Senator HARKIN. Thank you.

Mr. Chairman, I have a couple more questions, but I will submit them in writing.[3]

The CHAIRMAN. Thank you very much, and we will keep the record open.

I have been extremely impressed and very pleased with the nominee's answers, and I think that has been reflected around the

[2] See page 54 for Senator Conrad's questions to Mr. Vautour.
[3] See page 52 for Senator Harkin's questions to Mr. Vautour.

table by Members on both sides of the aisle. They have been good answers; they show that you are experienced.

I will submit some further questions. I had hoped that we were going to have a FIFRA markup on Wednesday and we could bring this up, but because of Senator Lugar's accident, we will not.

What I will try to do—and I do not think Senator Lugar will object to this, and I will make sure that there are no objections here—what I would like to do is to have an executive meeting at the call of the Chair after one of our votes—we are going to have votes later on this week, Wednesday or Thursday—to have an executive meeting where we will have a quorum. Debate will be extremely limited in time; the chairman will move the nomination of Mr. Vautour, and I would hope we would be able to do that. If we can do that, I would hope we could get it on the consent calendar so that when you eat your Christmas turkey, your family can toast you as "Mr. Under Secretary".

With that, the record will stay open long enough just to get these questions in.

Roland, I thank you very, very much, and your family, both your son and your wife, for coming down here, and we will stand in recess.

Mr. VAUTOUR. Thank you, Mr. Chairman.

The CHAIRMAN. Thank you.

[Whereupon, at 3:05 p.m., the committee was adjourned, subject to call of the Chair.]

[Material submitted for inclusion in the record follows:]

PATRICK J. LEAHY, VERMONT, CHAIRMAN
JOHN MELCHER, MONTANA
DAVID H. PRYOR, ARKANSAS
DAVID L. BOREN, OKLAHOMA
HOWELL HEFLIN, ALABAMA
TOM HARKIN, IOWA
KENT CONRAD, NORTH DAKOTA
WYCHE FOWLER, JR., GEORGIA
THOMAS A. DASCHLE, SOUTH DAKOTA
JOHN B. BREAUX, LOUISIANA
RICHARD G. LUGAR, INDIANA
ROBERT DOLE, KANSAS
JESSE HELMS, NORTH CAROLINA
THAD COCHRAN, MISSISSIPPI
RUDY BOSCHWITZ, MINNESOTA
MITCH McCONNELL, KENTUCKY
CHRISTOPHER S. "KIT" BOND, MISSOURI
PETE WILSON, CALIFORNIA
DAVID K. KARNES, NEBRASKA

United States Senate
COMMITTEE ON
AGRICULTURE, NUTRITION, AND FORESTRY
WASHINGTON, DC 20510-6000

November 16, 1987

Mr. Roland Vautour
c/o Ms. Jeanne Kling
Acting Assistant to the Undersecretary
Rm. 219A Administration Building
United States Department of Agriculture
14th and Independence Avenues, SW
Washington, DC 20250

Dear Mr. Vautour:

I am writing to follow up on your hearing today concerning your nomination for Undersecretary for Small Community and Rural Development. I appreciated your preparation and the willingness you demonstrated to work with the Committee to meet the needs of our rural citizens.

Enclosed are questions which were submitted by other Senators and me. Please prepare written answers to these questions by noon on Wednesday so that the Committee may move forward toward a vote on your nomination.

I look forward to your answers, which you may deliver to Ms. Chris Sarcone at 328A Russell Senate Office Building. If you have questions regarding the foregoing, please do not hesitate to call David Warner of the Committee staff at 224-5932. Thank you for your cooperation.

Sincerely,

Patrick J. Leahy
Chairman

BEST COPY AVAILABLE

United States Department of Agriculture
Farmers Home Administration
Washington D.C. 20250

NOV 17 1987

The Honorable Patrick J. Leahy
Chairman, Committee on Agriculture,
Nutrition, and Forestry
United States Senate
Washington, D.C. 20510

Dear Mr. Chairman:

I am enclosing herewith my responses to the questions submitted by yourself and Senators Conrad and Harkin and Daschle.

I want to thank you for the opportunity to appear before the Committee.

Sincerely,

ROLAND R. VAUTOUR
Under Secretary-designate
Small Community and Rural Development

Enclosures

FmHA Farmers Home Administration is an Equal Opportunity Lender
Complaints of discrimination should be sent to:
Secretary of Agriculture, Washington, D.C. 20250

QUESTIONS SUBMITTED BY PATRICK J. LEAHY
FOR ROLAND VAUTOUR - NOMINEE
UNDER SECRETARY FOR SMALL COMMUNITY
AND RURAL DEVELOPMENT
November 16, 1987

I. GENERALLY

1. If your nomination is approved by the Committee and the Senate, do you promise to respond to requests to appear and testify before this Committee or any other duly constituted Committee of the Senate?

Answer:

Yes.

2. If you are confirmed by the Senate, will you faithfully execute the laws passed by Congress regardless of any prior statements you have made or biases you may have held?

Answer:

Yes.

3. Servicing Farmer-Borrower Debt
A number of debt restructuring tools for FmHA borrowers are currently available and others have been proposed in Congress this Fall. For example, S.1665 would require that loans be restructured if such restructuring is more economical than foreclosure to both FmHA and the borrower.

HOW CAN FMHA BEST SERVICE BORROWERS WHOSE LOANS ARE DELINQUENT OR UNDERSECURED? WHAT EFFORTS WILL YOU TAKE AS UNDER SECRETARY TO ASSURE THAT FMHA LOANS TO FARMERS WILL BE RESTRUCTURED IN CASES WHERE THIS IS LESS COSTLY TO THE GOVERNMENT THAN FORECLOSURE?

Answer:

The FmHA will utilize all of its current restructuring tools to attempt to keep as many borrowers in business as possible. Debt restructuring as set forth in S.1665, if enacted into law, will be offered to delinquent borrowers. I will carefully monitor the restructuring program to assure that it is being uniformly and correctly administered.

4. FmHA Losses
Because of the dramatic drop in land prices and the large number of failed FmHA loans, FmHA currently has large farm losses. Even USDA-published studies show nearly $2 billion in potential losses to FmHA from farm loans in 1987 alone. But FmHA has not yet scored these losses on its books.

DOESN'T SOUND BUSINESS PRACTICE DICTATE THAT FMHA RECOGNIZE THESE LOSSES AS SOON AS POSSIBLE? HOW WILL YOU AS AN ADMINISTRATOR MOVE TO BRING THIS ABOUT?

Answer:

Yes, I believe every effort should be taken to present a clear financial picture. In September of this year, FmHA implemented procedures to develop an annual risk assessment of its loan portfolio and to produce loss estimates based on these assessments as required by OMB Circular A-129. This circular states that the risk rating should be determined by reviewing procedure based on performance changes in financial position, the degree of compliance with reporting requirements, or changes in the status of collateral or security.

This effort is scheduled for completion by September 1988. As Under Secretary I will see that this effort is completed and the financial condition of the agency is properly presented.

5. Rural Development Budget

Rural areas have experienced an unprecedented decline in the 1980s. Nonetheless, the President's budget for this year recommended that funding for FmHA community facilities and wastewater programs be completely eliminated. Deputy Secretary Peter Myers of USDA earlier this year unveiled before the House Agriculture Committee a six-point plan for rural revitalization. This plan did not call for additional funding for rural development programs.

WHAT GENERAL DIRECTION WOULD YOU SEEK FOR THE BUDGET FOR PROGRAMS OVERSEEN BY THE UNDER SECRETARY? IN PARTICULAR, WHAT CHANGES WOULD YOU ADVOCATE FOR RURAL DEVELOPMENT PROGRAMS?

Answer:

I intend to make a careful assessment of all existing USDA rural development programs and will work closely with the Secretary as future budget levels for these programs are established. My budget recommendations will reflect the need for program services and the agency's priorities.

6. Personnel

FmHA has been understaffed for a long time. This Administration has not asked for additional staff despite the increased load on FmHA. Rather, FmHA employees in the last six years have generally been directed to phase out FmHA programs. For example, FmHA has trained its employees to implement restrictive regulations even before these regulations have been approved.

HOW WOULD YOU AS UNDER SECRETARY TRAIN USDA PERSONNEL TO CARRY OUT PROGRAMS UNDER YOUR DIRECTION? HOW WOULD YOU

ENSURE THAT USDA IS ADEQUATELY STAFFED TO IMPLEMENT PROGRAMS EFFECTIVELY?

Answer:

The mission of FmHA is to provide supervised credit. The most efficient use of available manpower is essential. The recent automation of FmHA field offices will help provide better service to FmHA borrowers.

The increased use of the Guaranteed Lending Program, i.e., approved lenders, will take a considerable load off the field staff. Paperwork, processing, appraisals, etc., will all be accomplished by the guaranteed lender. The sale of assets and the corresponding shift of servicing responsibilities to the private sector, with no diminution of borrower rights, will also lighten the workload. Finally, continued training of field staff will also help.

II. FARMERS HOME ADMINISTRATION

1. Under your guidance, how would FmHA meet the credit needs of beginning, reentry and low-equity family farmers so that they can become financially independent and able to graduate to other sources of credit?

Answer:

Through the use of operating credit and supervised credit, FmHA can get the entry level farmer established on a rented farm so that they may build some equity in livestock, cattle, machinery, etc. After gaining experience and becoming more financially viable, move the borrower on to private sector financing to purchase a farm and eventually graduate to total private debt structure.

2. Land prices in parts of the country have recently become affordable. How can FmHA take advantage of this opportunity to rebuild family farm agriculture?

Answer:

Through the use of "Credit Sale," FmHA can make suitable property available to developing family farmers and through private sector (FCS, etc.), financing the process in the above question can be brought to fruition.

III. RURAL ELECTRIFICATION

1. During fiscal year 1987, the Rural Electrification Administration (REA) approved loan guarantee commitments for rural electric systems totaling nearly $175 million. This amount was more than $600 million below the minimum level set by Congress. Further, the cooperatives were unable to draw

down this $175 until REA and the Federal Financing Bank (FFB) ratified the Amended and Restated Loan Commitment Agreement almost a year later.

As an administrator, what steps would you take to ensure that REA approves more loan guarantees and that borrower cooperatives are not burdened by this kind of administrative delay?

Answer:

As an Administrator, I believe that it would be my responsibility to see that existing laws are enforced and that agencies operating under my jurisdiction operate without undue delays. While I will not hesitate to develop and implement new policies which might be used to improve agency operations, I realize that Federal agencies have an obligation to carry out existing legislation.

I am informed that the reason REA did not meet its minimum loan guarantee level during FY 1987 is basically that REA borrowers did not submit sufficient loan applications which met existing REA loan guarantee policies. Given this situation, REA could not meet the minimum loan guarantee levels.

The failure of REA and the Federal Financing Bank to arrive at a satisfactory loan guarantee agreement until September 1987 did result in the delay of the advance of loan guarantee funds approved by REA during FY 1987. It would be my objective to reduce delays of this nature.

2. REA Administrator Hunter has publicly announced that he will not approve applications for REA loan guarantee commitments for construction of new generating capacity. While surplus generating capacity exists in a few areas of the country at the present time, most experts agree that within ten years additional generating capacity will be needed. Because of the long lead time needed to bring new generation on line, projects would have to be financed and started fairly soon in order to be available within ten years. What is your view of the need for additional electric generating capacity?

Answer:

There is no reason to doubt that existing generation capacity resources may be fully utilized by 1997 as is the general prediction for the industry.

We know, however, that the present generating resources of certain individual REA borrowers will meet their needs beyond 1997.

My view is that every effort should be made to utilize existing generating surplus capacities presently available to REA borrowers before new generation is authorized. If a

borrower can demonstrate that it has made this effort and that additional generation is the most effective and economical source of meeting the power supply requirements of REA borrowers, I would not oppose the approval of new loan guarantees for generation purposes.

3. A downturn in the agricultural and energy economies is currently causing some serious economic problems for some REA borrowers. A few are currently in default. How as Under Secretary would you restructure the debt of distressed rural electric borrowers?

Answer:

The current situation with respect to defaults by REA borrowers is a situation which has not been heretofore encountered in the history of the program nor the electric utility industry. At this time, over $600 million in debt service payments due REA by six power supply borrowers and three distribution borrowers have not been paid. The situations represented by these defaults are quite varied.

Quite frankly, I do not have specific answers as to the detailed steps that should be taken in these instances. I agree that Mr. Hunter's general rules regarding workouts, i.e., electric service, must continue, REA will make necessary concessions, other creditors must be impacted in a like manner as the government and that a plan for ultimate retrieval for all debt when the economic situation facing these borrowers improves are good basic rules from which to start developing workout plans. I plan to approach this situation with an open mind and hopefully develop workout plans which will be fair to both the government and to the electric borrowers and ultimately to their members.

IV. RURAL DEVELOPMENT

1. Rural economies have suffered from a dramatic decline in the 1980's. Agriculture, forestry, mining and rural manufacturing have all been hard hit. Rural areas currently are characterized by significantly higher rates of unemployment, poverty and substandard housing than are urban areas. How would you as Under Secretary work to revitalize rural America?

Answer:

The Under Secretary for Small Community and Rural Development has the responsibility for Federal rural regeneration activities through the Department of Agriculture. As Under Secretary, my concerns are:

* That every USDA rural development program be used to maximum effectiveness, where help is most needed to

create jobs, provide housing and maintain community services.

* That USDA national and field offices provide all possible assistance in communication and cooperation with local and State rural development efforts.

* That USDA coordinate rural development efforts of all Federal agencies, sharing information and encouraging involvement.

2. Despite the fact that the needs of rural areas have grown over the last 7 years, this Administration has repeatedly cut the budget for USDA programs important to rural communities. This year, for example, the Administration proposed to completely eliminate all wastewater and community facility programs. What leadership would you provide on the budget for addressing rural needs?

Answer:

In the future, I assure you I will work closely with the Secretary to assess the effectiveness of USDA programs affecting rural development and will make budget recommendations according to program need and agency priorities.

3. USDA's current six-point plan for rural revitalization calls for State-level enterprise teams to promote economic development in communities. Who will serve on these teams and how will they work? What in your experience indicates that this will be an effective approach to community development?

Answer:

The State Food and Agriculture Councils (FACs) are putting together State rural development plans which include rural enterprise teams, made up of individuals with expertise in various relevant fields. At the request of localities, these teams will work with local officials and civic groups to solve problems standing in the way of economic help for that community.

Because rural communities and their economic problems are all so different, this individual approach to problem-solving is effective. We know that often good ideas go unnoticed and possible solutions untried because communities need help in accessing information. Enterprise team members represent a broad range of knowledge and leadership and are willing to share applications of their expertise.

The Under Secretary's Office will document the effectiveness of this approach through reports from the State FAC chairmen. In future rural development strategy updates to Congress, the

Secretary will report on the progress of the rural enterprise teams.

4. USDA's plan also calls for an information clearinghouse at the National Agricultural Library. What effect do you envision this will have on the creation of new jobs and new businesses in rural areas? How would you staff such a clearinghouse to ensure that it could function effectively?

Answer:

The Rural Information Center is now in limited operation and will be in full operation after January 1, 1988. The National Agricultural Library (NAL), working with the Extension Service, is accepting questions from rural community officials placed from their local Extension Service office. The NAL accesses its very large data base to give the local official every possible resource for a solution to the problem. The object is to provide as much information in as short a time as possible.

Any service that helps a community improve its economic opportunities will be a help in creating jobs and businesses. I would like to see a staff sufficient to respond rapidly to all inquiries. I understand the FY 1988 budget for the NAL is constructed to provide this staff.

5. Several rural development bills have been introduced in the Senate and in the House. What is your view of these proposals? In particular:

   a. Is there sufficient infrastructure in small communities to support new and expanded businesses?

      While this depends in large part on the specific community or area, there are many small towns with major infrastructure problems. Part of economic revitalization in these little communities must be a realistic plan to shore up that infrastructure through the use of FmHA's community and business programs and REA's electric and telephone programs.

   b. Is there sufficient development know-how in small rural communities to power economic resurgence? If not, how can USDA best build this human capacity for development?

      In most cases, rural communities need help with development planning and implementation. The USDA rural development initiative encourages formation of rural enterprise teams which will work with the Extension Service to help communities develop the local leadership necessary to solve their development problems.

   c. What is your view of the potential effectiveness of the Rural Development Loan Fund? What new financing tools

would you support or create to give rural America a new financial start?

The Rural Development Loan Fund is financing a very complicated program, the National Corporation Loan and Grant Program. Since the money has only recently been obligated, it is difficult to judge how effective the program will be. The reloaning provision, if adequately supervised and serviced, can be quite effective.

There are many rural development resources - Federal, State and local - that, if used effectively, can do more to stimulate economic development in our small communities than can be accomplished by Federal money. All Federal resources should be used to leverage local, State, county and private funds.

d. In light of USDA's ineffectiveness in addressing rural decline, should USDA be organized differently to more carefully focus on rural development? If so, how?

The programs that affect rural development, i.e. REA and FmHA, are integrally a part of Rural America, which is what the USDA is all about. The position of Under Secretary of Agriculture for Small Community and Rural Development is charged with the responsibility of administering these programs.

Over the years, REA and FmHA have been of substantial benefit to Rural America. Moving the administration of these programs could be counter-productive. An additional layer of bureaucracy is not necessary. I pledge to give strong emphasis and efficient and professional supervision to these programs.

QUESTIONS SUBMITTED BY SENATOR HARKIN
FOR ROLAND VAUTOUR

1. The House Appropriations Committee has adopted language which turns responsibility for loss adjustments back over to the Federal Crop Insurance Corporation (FCIC) for fiscal year 1988. The FCIC has already entered into contracts with the reinsured companies for 1988 and crop insurance policies have already been issued.

   WHAT WOULD BE YOUR VIEW CONCERNING THE MODIFICATION OF THOSE CONTRACTS AND HOW DIFFICULT WOULD IT BE TO INSTITUTE THOSE CHANGES IF THE FCIC WERE REQUIRED TO DO SO ON DECEMBER 16TH?

   Answer:

   The modification of the reinsurance contracts currently in force, and applying to 1988 crop year business, would require unilateral abrogation in order to implement the House Appropriations Committee language for the 1988 crop year. It is unlikely that the companies would concur. There could be litigation as a result of such an approach. The bottom line is that it could not be put in place for 1988.

   If the action were considered to apply to the 1989 crop year, the changes in the Standard Reinsurance Agreement required by such an approach would be written by the FCIC as quickly as possible following Congressional action and presented to the companies for their consideration. Since they would apply to the Agreement which would take effect on July 1, 1988, there would be time for individual companies to consider this unilateral change. It is anticipated that a number of the companies would decline to enter into a 1989 crop year agreement. It is difficult to measure the impact of this kind of change but it is reasonable to expect it to be substantial.

2. WOULD YOU FAVOR THE EXPANSION OF THE FCIC WORKFORCE TO ASSUME THE INCREASED WORKLOAD THAT WOULD BE REQUIRED BY THE HOUSE APPROPRIATIONS LANGUAGE AND DO YOU BELIEVE THAT THE WORKFORCE COULD BE ENLARGED IN A WAY WHICH WOULD ALLOW TIMELY LAIMS PROCESSING FOR THE 1988 CROP SEASON?

   Answer:

   We would have to expand the workforce to meet the increased workload. Given the fact that we don't know how many reinsurance contracts would be adjusted, it is difficult to say whether we could make the adjustments in a timely manner.

   To address your question regarding my position on the expansion of the FCIC responsibility to all loss adjustment, I must say that I favor the position taken by the Senate

Appropriations Committee in its Report on the Agriculture Appropriations Bill. The Senate Committee notes that FCIC has been made aware of the problems which exist, has taken aggressive steps to address those problems, including the establishment of a Compliance Division, and requires the FCIC to furnish quarterly progress reports to the Congress. This, it seems to me, is a more effective way to address the appropriate need for Congressional assurances of the efficient use of federal funds.

COULD YOU ENLARGE ON THE BASIS FOR YOUR THOUGHTS IN THIS AREA?

Answer:

We have made great strides in the expansion of crops covered and acreage covered. The use of reinsurance contracts is a major factor in that progress. I believe it is reasonable to assume that some reinsurance companies will not participate and overall insurance coverage would decline. I also believe that it would not be as cost effective.

There is no doubt that the FCIC could accommodate the House Committee's instruction, but there is considerable question as to the overall impact of such an action and the effect on Congressionally urged private sector involvement and producer participation. In the circumstances, it would appear more prudent to permit a more orderly consideration of the reforms currently being implemented and the alternatives should they fall short of Congressional expectations.

QUESTIONS SUBMITTED BY SENATOR CONRAD
FOR ROLAND VAUTOUR

1. Mr. Vautour, attached are three case histories of farmers in North Dakota who have FmHA loans. Please describe how you would handle these situations under current law and under FmHA loan restructuring legislation as passed by the Senate Agriculture Committee.

Answer:

Case Study Number 1 -
I will personally check into this case. I firmly believe we can expedite a satisfactory conclusion to this difficult situation.

Case Study Number 2 -
We will continue our offset collections as authorized by law and set forth in current regulations. The Federal Claims Collection Act of 1966, as amended by the Debt Collection Act of 1982 and the Deficit Reduction Act of 1984, authorizes FmHA to take administrative offsets. The borrowers account must be accelerated before an offset can be taken and the borrower must be notified of the agency's intent to take the offset.

Case Study Number 3 -
It will be necessary for this family to request debt settlement of their accounts to finally resolve their serious financial difficulty.

Agency regulations do not permit release of income from sale of security property after accounts have been accelerated except under the Administration exception authority. However, the Administration exception authority does not apply to administrative offsets. In the case cited by you, the Administrator can consider release of the proceeds from the sale of crops and livestock.

2. How would you handle worthless second and third liens on real estate and machinery? Would you push for foreclosure? Would you employ administrative offsets to collect as much income as possible -- ahead of superior lien holders?

Answer:

FmHA regulations authorize the release of valueless liens which have no present or prospective value. FmHA would not initiate foreclosure in such cases.

The Federal Claims Collection Act of 1966, as amended by the Debt Collection Act of 1982, authorizes FmHA to take administrative offsets. The borrowers account must be accelerated before an offset can be taken and the borrower must be notified of the agency's intent to take an offset.

We will continue our offset collections as authorized by law and set forth in current regulations.

3. Are you aware of the substantial drop in farmland prices over the past few years in areas outside of New England -- please specify the states of which you are aware which have sustained substantial drops in farmland values.

Answer:

Yes, I am aware of farmland prices. Since the high mark in 1981, the average farm values had dropped 35% nationwide as of February 1, 1987. In 1986, regionally, the largest declines occurred in the Lake States (down 14%) and in the Delta (off 18%).

The states of Indiana, Minnesota, Illinois, Iowa and Nebraska had a decline in land values of 50% or more from 1981 to 1987.

Today land prices are edging higher in most areas. However, the strongest market is still closely tied to the more productive soils and better quality land.

4. Under the Senate provisions of the farm credit bill, FmHA will be asked to write down debts to levels which farmers can pay off as long as that is higher than the recovery value of the security. Farmers also have the option of filing for bankruptcy under Chapter 12. How will you avoid pushing farmers into Chapter 12 filings--in particular, how will you implement the shared appreciation provisions to avoid bankruptcy filings?

Answer:

Our primary effort to help borrowers avoid bankruptcy will be to fully implement the debt writedown and shared appreciation authorities, if enacted into law. We believe most farmers would rather negotiate with their creditors in good faith rather than through a Court. The borrower can participate in the FmHA writedown without giving up any right to file bankruptcy in the future. We also note some distinct disadvantages to a Chapter 12 bankruptcy that would enter into the borrower's financial decision:

-- The farmer must operate under the cloud of bankruptcy, making subsequent borrowing for essential operating and capital credit needs very difficult;

-- The farmer must provide for the expensive legal fees needed for legal representation, and the reorganization plan must provide for the funds diverted to the Trustee; up to 10% of receipts. A financially strapped operation will be hard-pressed to pay these extra expenses;

-- Once in bankruptcy, the operator loses a measure of control over the business, answering to a Trustee with oversight over business decisions.

5. How do you interpret the terms "conditions beyond the control of the borrower" and "good faith" as contained in the FmHA provisions of the Senate Farm Credit bill?

Answer:

Our interpretation of the phrase "circumstances beyond the control of the borrower" would be defined to mean any factor of production and/or financial management over which the borrower personally, as an individual farm operator, has no control, e.g.:

1. Natural disasters;

2. Regional, National, and/or International economic recession or depreciation caused by:

   a. Depressed commodity prices or;
   b. Deflated farm asset values or;
   c. Excessively high costs of production inputs.

The term "good faith" will be interpreted to mean the borrower has complied with all terms and conditions of loan approval to the best of his/her ability, under the prevailing circumstances.

6. Would you interpret the provisions of Section 353 (e) of the FmHA section of the farm credit bill to require "participation" of other lenders as it is required in states with strong mediation laws like Iowa and Minnesota? Please explain. Would you consider that the refusal of a large creditor to participate would be a reason for FmHA to avoid writing down the debt of a delinquent borrower?

Answer:

Lenders who are not fully collateralized and holding a substantial portion of a borrower's total debt, will be contacted and requested to participate when FmHA is considering writing down its loans. However, the refusal of such a large lender to participate will not, of itself, be a reason for FmHA to avoid writing down debt unless the lender's refusal to participate would make it impossible for FmHA to restructure the debt in a manner that would assure success of the operation.

7. Currently, appeals of administrative offsets are not allowed. However, administrative offsets are clearly adverse actions which would normally come under the purview of the appeals provisions of the FmHA statute. In addition, circumstances differ substantially from borrower to borrower

-- facts which the broad brush approach to administrative offsets fails to take into account. Would you consider making actions to initiate administrative offsets appealable?

Answer:

Current FmHA regulations pursuant to the Debt Collection Act of 1982 permit a borrower to request a review of FmHA's determination that the debt exists and/or is delinquent. Clearly an appeal procedure exists. How far it goes is a question. I will request clarification of same.

8. Would you consider a halt to administrative offsets for the group of borrowers accelerated, but not foreclosed and who will have an opportunity for restructuring under the Senate farm credit legislation?

Answer:

I think that administrative offsets are used only after all remedial measures have been taken. I would not favor use of same if it would result in verifiable hunger or extreme hardship on the borrower.

9. Will you consider a complete halt to administrative offsets until a review of the whole program can be completed?

Answer:

FmHA is not considering an additional review at this time.

10. Are you aware of any administrative actions to implement the proposed new FmHA lending criteria by administrative action rather than through the regulatory process?

Answer:

No.

QUESTIONS SUBMITTED BY SENATOR TOM DASCHLE
FOR ROLAND VAUTOUR

1. The Administration, for many years, has been advocating the dismantling of REA, meanwhile trying to reduce its size and ability to oversee the program. Do you support the Administration's proposals? What is your view of the role for the REA?

Answer:

I view the role of REA as providing infrastructure to areas in Rural America where there is a real need. In this day of diminishing resources, a better allocation of these resources to the truly needy areas is reasonable.

2. In this time of budget restraint, how do you propose to carry out the mission of the agencies within your jurisdiction?

Answer:

I share the concern of this Committee regarding the need for fiscal responsibility. We recognize the need to reduce the Federal debt and deficit spending. However, our objectives will be to work for improvement in the farm and rural development economy wherever possible. A stronger agricultural base and rural development initiatives will help the economy as a whole. I will be a strong advocate within the Administration for sensible and prudent investment of public resources. The inclusion of private support with Federal guarantees will go a long way in reducing the dependence on direct Federal intervention. A strong coordinated effort between Federal, State, and local governments will help insure that limited funds will be used to the greatest extent possible. National and local advisory groups and associations working closely with governments at every level will improve the delivery of services to those areas most in need. Strong leadership from the National level is imperative to insure that those rural Americans who are willing and have a viable chance of success are given the opportunity to succeed. I will work with the Congress in making the most of program resources.

3. This past January, Farmers Home Administration issued new regulations, 90,000 words in 98 pages. The comment period was only 30 days long. The text was difficult to read and Congress had very little input. The regulations would have made 50% of FmHA borrowers ineligible for loans. Due to the public outcry from these drastic regulation changes, this Committee had a hearing on this matter. The hearing highlighted the necessity for FmHA to work with Congress and for us to have an input. Given the past scenario, how will you as Administrator ensure that Congress has an input in the regulations?

Answer:

I will see to it that substantive regulation changes will be cleared by the Committees involved in the Congress. I do not believe the Committee wishes to get involved in housekeeping and administrative regulations. Regulations affecting a farm borrower will be sent to the Committee prior to publication in the Federal Register.

4. Often it is stated that FmHA has been understaffed. The backloads can't be handled with current staff and some personnel aren't qualified to look at bad loans. Farmers complain of endless delays for loan approvals and insensitive employees. As an Administrator, what would you do to address these complaints? Does FmHA have adequate staff?

Answer:

The mission of FmHA is to provide supervised credit. The most efficient use of available manpower is essential. The recent automation of FmHA field offices will help provide better service to FmHA borrowers.

The increased use of the Guaranteed Lending Program, i.e., approved lenders, will take a considerable load off the field staff. Paperwork, processing, appraisals, etc., will all be accomplished by the guaranteed lender. The sale of assets and the corresponding shift of servicing responsibilities to the private sector, with no diminution of borrower rights, will also lighten the workload. Finally, continued training of field staff will also help.

5. In my state of South Dakota, it is no secret of my unhappiness with the current State Director and the lack of understanding shown for farmers. We have seen an unnecessary number of farmers file for Chapter 12 bankruptcy. How, as an Administrator, would you address this problem?

Answer:

The FmHA regulations in South Dakota are not different than they are elsewhere in the United States. I will see that all FmHA regulations are carried out totally and that staff is aware of and committed to the implementation of same.

6. The position of Under Secretary of Agriculture for Small Community and Rural Development was created during the Carter Administration during the time of a great emphasis on rural development initiatives. The current Administration has cut community development programs in FmHA, de-emphasizing the need for such programs. What do you think of these programs? Should they be part of the Department of Agriculture or should they be part of a different agency?

Answer:

The programs that affect rural development, i.e., REA and FmHA, are integrally a part of Rural America, which is what the USDA is all about. The position of Under Secretary of Agriculture for Small Community and Rural Development is charged with the responsibility of administering these programs.

REA and FmHA over the years have been of substantial benefit to Rural America. Moving the administration of these programs could be counter-productive and would result in an unnecessary additional layer of bureaucracy. I pledge a strong emphasis on rural development programs and will give them an efficient and professional supervision.